Montréal en action

2010 Annual financial Report

Fiscal Year Ended December 31

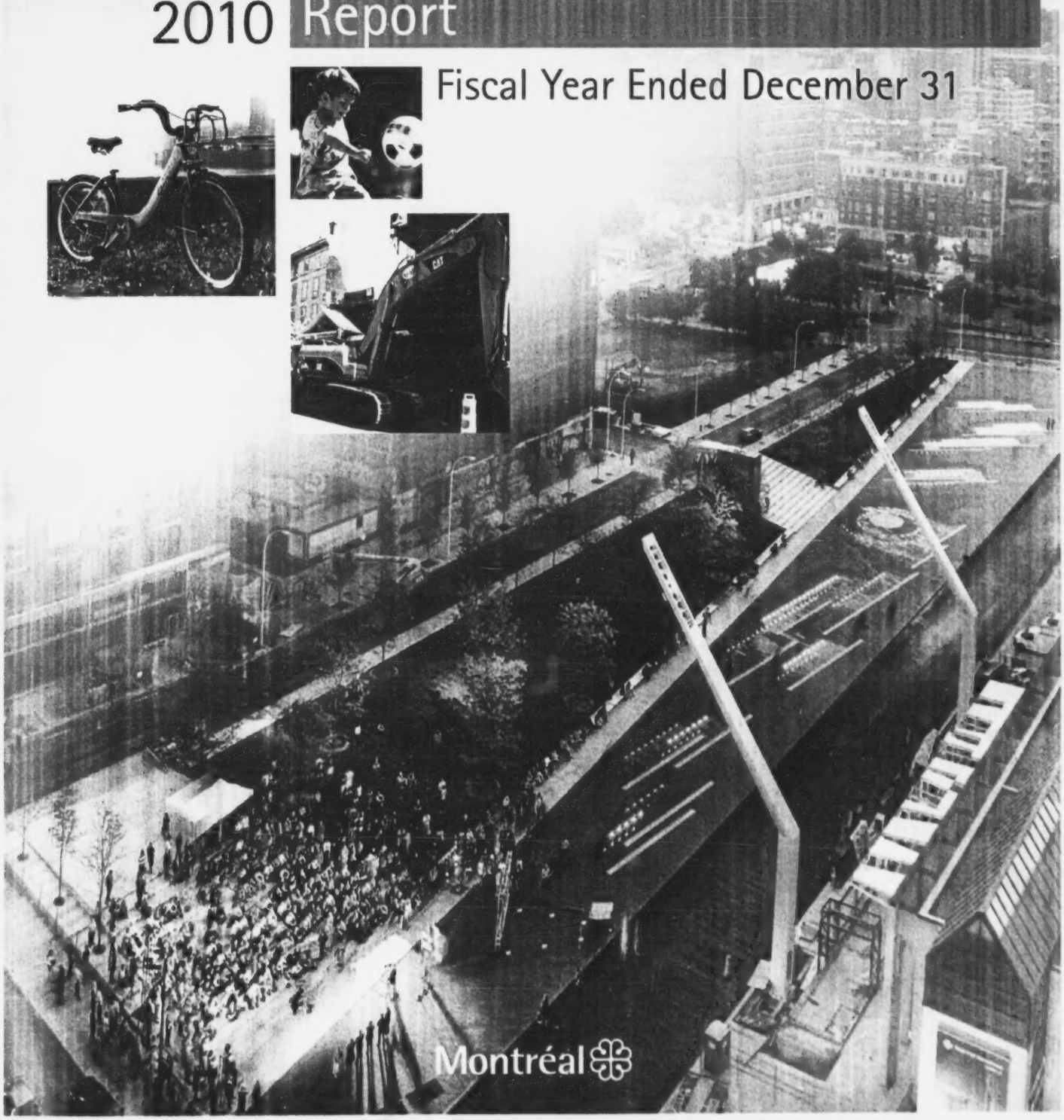
Montréal

Montréal en action

Annual financial Report

2010

Fiscal Year Ended December 31



Montréal

Montréal en action

2010 Annual financial report

VILLE DE MONTRÉAL

Annual financial report
Year ended December 31, 2010

Deposited at the City Clerk's
Office of the Ville de Montréal
March 31, 2011

Montréal

Prepared by the Service des finances,
Direction de la comptabilité et
du contrôle financier

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Annual Financial Report **2010**

Montréal en action

2010 Introduction

Message from the Mayor and Chairman of the Executive Committee and the Vice-Chairman of the Executive Committee, responsible for finance

Dear Fellow Citizens:

In 2010, a series of circumstances, combined with a stronger-than-expected economic recovery, resulted in a surplus for fiscal 2010 that is higher than those of the previous years. This surplus stands at $192 million.

The city benefited from higher-than-anticipated revenues, especially from transfer fees and construction permits. This excellent news reflects Montréal's ability to attract investment. At the same time, moderate snowfalls helped the boroughs save tens of millions of dollars in snow removal.

The legal battle opposing the city, the Société Radio-Canada and the Port of Montréal has yielded positive results. The Supreme Court has rendered judgement in favour of the city regarding tax compensations paid by federal corporations. This decision enabled us to recover a non-recurring $54 million.

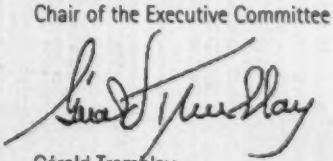
A large portion of this surplus is attributable to the two plans to reduce expenditures that were implemented during the year and which generated total savings of $78 million. The goal was to ensure budget balance and avoid significant tax increases for 2011.

After allocations anticipated by our administration to cover the urban agglomeration's deficit, balance the 2011 budget and give back to the boroughs the surpluses generated by them, only $14 million of the $192 surplus will be left to add to our reserves.

We must continue in the same direction, because sound financial management involves creating reserves to face unexpected situations. By maintaining an Aa2 rating, the highest in Montréal's history, Moody's rating agency recognizes, once again, our responsible and cautious management. It emphasized however that our reserves were relatively low.

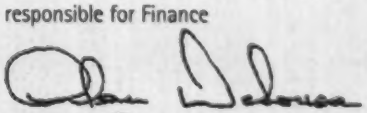
Since this administration was first elected, we have been working to improve our financial performance, because the sound management of public funds enables us to continue to provide municipal services that meet the expectations of Montrealers.

Mayor of Montréal and
Chair of the Executive Committee



Gérald Tremblay

Vice Chair of the Executive Committee
responsible for Finance



Alan DeSousa

Annual Financial Report **2010**

Message from the City Manager and the Treasurer

Dear Fellow Residents:

We are proud to present the Vilie de Montréal's annual financial report for the fiscal year ended December 31, 2010. This report includes a consolidated version of the city's financial information. The financial statements comprise all city accounts, in other words the unit composed of the Ville de Montréal and the organizations it controls. The following analysis focuses on the results achieved by the Ville de Montréal unit, or the city administration results, and excludes the organizations under its control.

The surplus posted for the last fiscal year is the result of major budget efforts in 2010. Remember that in 2009, the city posted a slight deficit of $0.5 million for the first time in several decades, due mostly to the economic downturn. Because we could not expect a surplus in 2010, unlike previous years, we had to be more cautious and manage more carefully. This is also why we have made additional budget efforts on two occasions over the year, to reduce city spending and thereby achieve adequate leeway.

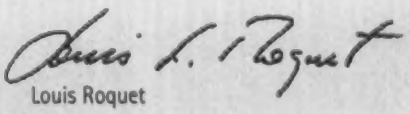
All city business units were asked to contribute. The positive results for fiscal 2010 indicate that our strategies have helped to safeguard the city's financial stability as well as somewhat replenish our reserves which suffered considerably from the financial crisis.

The city benefited from compressions as well as from unexpected events that occurred over the year, adding to the surplus. While transfer fees dropped in 2009 as a result of the economic crisis, nevertheless, they generated $127 million in 2010. This exceptional result exceeds the anticipated figure by approximately $27 million. The warm winter of 2009-2010 helped the city save $33 million on snow removal. Other positive as well as unexpected elements have raised the city surplus to $192 million. Although this surplus does not contribute to long-term wealth, it is excellent news for Montréal.

In accordance with the Cities and Towns Act, the Ville de Montréal cannot table a deficit budget. That is why it is important to create a financial reserve so that we can react to unexpected events. By giving itself leeway, the city wishes to reduce the risk of budget imbalance that may result from unforeseen events, such as exceptional snowfalls. The 2010 surplus will help us contribute to balancing the budget for 2011 and to bringing down the urban agglomeration deficit.

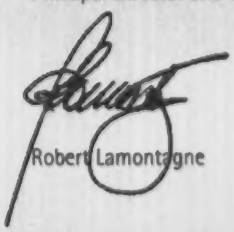
These positive results reflect the work of a dedicated team, a team for which the quality of life of Montrealers is achieved by sound, responsible and rigorous management of public funds. Thank you.

Director General



Louis Roquet

Principal Director and Treasurer



Robert Lamontagne

Annual Financial Report **2010**

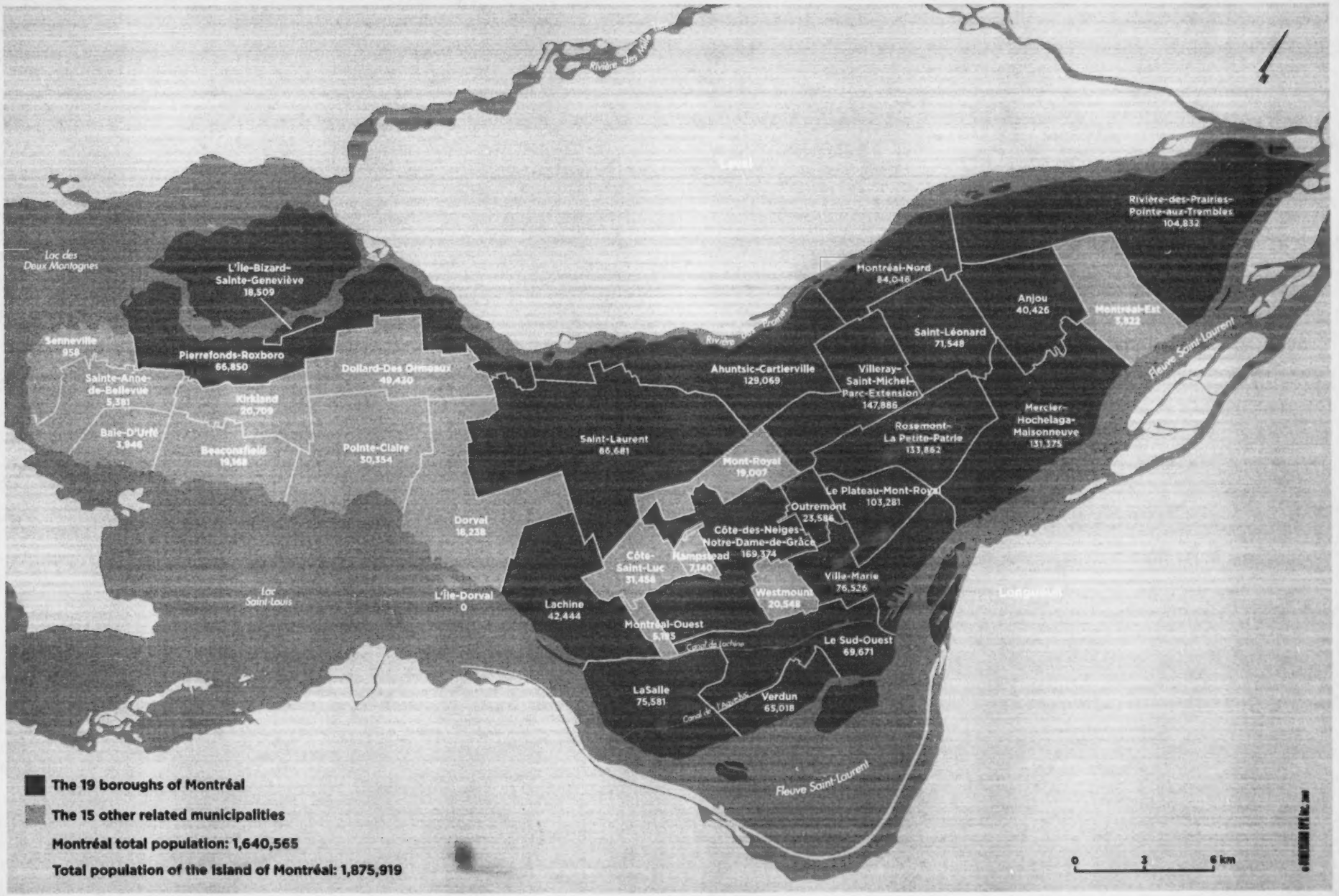
Introduction - Financial Information of the Municipal Administration
Fiscal Year Ended December 31, 2010

NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY *(in thousands of dollars)*

	2010								2009
	Local responsibilities		Urban agglomeration responsibilities		Eliminations		Total		Total
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Actual
Revenues									
Taxes	2 585 197	2 580 680	10 740	3 041			2 595 937	2 583 721	2 433 252
Payments in lieu of taxes	211 675	244 633		21 938			211 675	266 571	204 616
Quota shares			1 967 199	1 956 023	(1 605 751)	(1 595 558)	361 448	360 465	320 495
Transfers	194 315	199 655	143 241	143 244			337 556	342 899	333 227
Services rendered	269 238	251 201	72 322	68 444	(40 887)	(43 636)	300 673	276 009	267 473
Fee collection	114 881	162 385	1 887	1 789			116 768	164 174	113 102
Fines and penalties	95 639	97 671	85 660	88 782			181 299	186 453	211 529
Interest	57 060	65 047	25 797	24 838			82 857	89 885	82 837
Other revenues	48 404	57 481	23 897	24 432			72 301	81 913	64 533
	3 576 409	3 658 753	2 330 743	2 332 531	(1 646 638)	(1 639 194)	4 260 514	4 352 090	4 031 064
Operating expenditures									
General administration	445 302	381 388	304 866	(63 031)	(40 624)	(41 583)	709 544	276 774	354 892
Public security	14 196	14 890	893 048	906 583		(287)	907 244	921 186	891 320
Transportation	336 422	297 589	444 650	456 940		(207)	781 072	754 322	727 606
Environmental hygiene	181 521	171 533	247 526	198 408		(1 279)	429 047	368 662	356 568
Health and welfare	61 703	59 346	38 293	36 039			99 996	95 385	94 022
Urban planning and development	151 249	145 699	50 655	52 901	(263)	(270)	201 641	198 330	185 355
Recreation and culture	371 029	383 512	67 044	72 772		(10)	438 073	456 274	443 587
Financing expenses	267 943	252 828	150 821	145 415			418 764	398 243	390 445
	1 829 365	1 706 785	2 196 903	1 806 027	(40 887)	(43 636)	3 985 381	3 469 176	3 443 815
Quota shares for financing urban agglomeration activities	1 605 751	1 595 558			(1 605 751)	(1 595 558)			
Surplus for the year	141 293	356 410	133 840	526 504			275 133	882 914	587 249
Financing									
Repayment of long-term debt	(219 775)	(219 574)	(132 345)	(138 751)			(352 120)	(358 325)	(348 478)
Allocations									
Capital asset activities		(18 830)	(22 776)	(8 376)			(22 776)	(27 206)	(23 851)
Restricted operating surplus	80 951	92 898	(36 000)	3 629			44 951	96 527	78 856
Financial reserves and reserved funds	3 891	(14 060)		(55 217)			3 891	(69 277)	(77 464)
Amount to be funded in the future	(6 360)	(43 577)	57 281	(288 991)			50 921	(332 568)	(216 843)
	78 482	16 431	(1 495)	(348 955)			76 987	(332 524)	(239 302)
Operating surplus (deficit) for tax purposes for the year		153 267		38 798				192 065	(531)

Annual Financial Report **2010**

THE ISLAND OF MONTRÉAL and its population



The 19 boroughs of Montréal

The 15 other related municipalities

Montréal total population: 1,640,565

Total population of the Island of Montréal: 1,875,919

THE ISLAND OF MONTRÉAL and its population

Annual Financial Report 2010

The Municipal Organization - 2010

Pursuant to the *Act respecting the consultation of citizens with respect to the territorial reorganization of certain municipalities* and the *Act respecting the exercise of certain municipal powers in certain urban agglomerations*, the city's powers of administration are divided among the urban agglomeration and local authorities. As the central city of this urban agglomeration, Montréal continues to provide services and to manage collective equipment for all island residents, within the city itself and the 15 reconstituted municipalities. These common services are provided by Ville de Montréal employees.

Since 2009, the Island of Montréal's 16 related municipalities have been required to fund all shared services that fall under the Urban Agglomeration Council's authority with quota shares. This system of funding urban agglomeration responsibilities results from legislative changes introduced by An *Act to amend various legislative provisions concerning Montréal (Bill 22)* that was adopted in June 2008. This Act also makes changes to items falling under the Urban Agglomeration Council's authority.

Arterial road system activities, for example, will now be under local authority, except for the definition of management and harmonization standards, general planning of the system and certain work that remains under the urban agglomeration's responsibility.

Furthermore, several items have been removed from the list of equipment, infrastructure and activities of collective interest set out in the Appendix to the *Order in Council concerning the urban agglomeration of Montréal* (No. 1229-2005 and amendments), such as several large parks, cultural facilities, celebrations and festivals.

Urban Agglomeration Responsibilities

The urban agglomeration is responsible for services provided to all island residents. These responsibilities are exercised by the Urban Agglomeration Council. This municipal political entity and decision-making body holds the authority to adopt any by-law, to authorize any expenditure and to levy any quota share throughout the Island of Montréal. The Urban Agglomeration Council is designed to have a simple and democratic structure. Montréal's mayor selects representatives to accompany him to the Urban Agglomeration Council. Their briefs are set by the City Council, which defines the positions to be taken by its elected officials at the Urban Agglomeration Council. The same rule applies for the mayors of the reconstituted municipalities, who are bound by the guidelines of their respective city councils. A total of 31 elected officials sit on the Urban Agglomeration Council. They are:

- The mayor of Montréal, who is its chair.
- 15 elected officials from Montréal's City Council, who are appointed by the mayor.
- 14 mayors of the reconstituted municipalities (L'Île-Dorval and Dorval share one representative), one of whom is appointed as vice-chair.
- An additional representative from Dollard-Des Ormeaux (because of the size of its population), who is appointed by the mayor of this municipality.

The representation of each of the 16 related municipalities within this council is proportional to its demographic weight. Montréal has a weight of 87% and the 15 reconstituted municipalities have 13%.

Local Responsibilities

Furthermore, in accordance with the various areas of activity defined in the *Charter of Ville de Montréal*, the city's local powers are distributed among the City Council and the borough councils.

The Montréal City Council continues to assume its responsibility toward local powers within the city, which will now have 19 boroughs. The borough councils are responsible for delivering their own local services.

The City Council now consists of the city mayor, plus 64 city councillors, 18 of whom are borough mayors. A borough council will have at least five members. These members include the borough mayor, its one or more city councillors and any borough councillors. There are now 19 boroughs, with 46 councillors, who also sit on the City Council and 38 borough councillors.

The cost of local service provided on the Montréal territory is covered using revenue from local property taxes, which are paid by all Montréal taxpayers. In some cases, taxpayers in a given borough may, according to decisions by their borough council, be required to pay a borough tax for local services.

SUMMARY OF POWERS FALLING UNDER THE URBAN AGGLOMERATION COUNCIL OR THE CITY AND BOROUGH COUNCILS

Urban Agglomeration Powers	Local Powers
▸ Property assessment ▸ Police, fire and public safety services ▸ First responder services, except in Côte-Saint-Luc ▸ 9-1-1 emergency centre ▸ Implementation of fire coverage and public safety plans ▸ Municipal Court ▸ Social housing ▸ Assistance to the homeless ▸ Prevention and elimination of substance abuse and prostitution ▸ Waste disposal and reclamation, along with management of any hazardous substances ▸ Formulation and adoption of a solid waste management plan ▸ Management of municipal waterways ▸ Water supply and purification equipment and infrastructure, except local mains ▸ Public transit ▸ Definition of minimum standards for the management and general planning of the arterial road system and work on specified roadways ▸ Economic and tourist promotion outside the limits of the related municipality ▸ Tourist information services ▸ Industrial parks ▸ Conseil des arts de Montréal ▸ Equipment, infrastructure and activities of collective interest designated in the *Order in Council concerning the urban agglomeration of Montréal* (No. 1229-2005 and modifications) ▸ Contribution for financing Montréal's Nature Museums deficit ▸ Any other responsibilities formerly under the jurisdiction of an urban community in the event that the city took the place of the latter	▸ Urban planning ▸ Building, public nuisance and public health regulations ▸ Housing ▸ Fire protection and emergency preparedness ▸ Waste collection and transportation ▸ Local and arterial road management ▸ Local water mains and sewer lines ▸ Local sports and recreational facilities ▸ Local libraries ▸ Local parks ▸ Local, economic, community and social development ▸ Heritage ▸ The Commission des services électriques (electrical services commission) ▸ The Sociétés de développement commercial (SDCs) ▸ Industrial parks listed in by-law RCG-06-020 ▸ Election organization

Annual Financial Report **2010**

Montréal en action

Consolidated Financial information

2010

Management responsibility for financial reporting

The consolidated financial statements in this report are prepared in accordance with Canadian accounting standards for the public sector, as described in Note 2 to the consolidated financial statements.

The consolidated financial statements and all other information in this annual financial report are the responsibility of management. Management has also ensured consistency between the consolidated financial statements and all other information disclosed in the annual financial report.

To assess certain facts and operations, management has made estimates based on its best judgment of the situation and by taking into account materiality.

Management is responsible for maintaining appropriate internal control and accounting systems that provide reasonable assurance that the city's policies are adopted, that its operations are carried out in accordance with the appropriate laws and authorizations, that its assets are adequately safeguarded, and that the consolidated financial statements are based on reliable accounting records.

The city's powers and responsibilities are exercised either by the Urban Agglomeration Council, the City Council, or by the borough councils.

The Audit Committee is made up of seven members, two of which are members of the council representing the reconstituted municipalities and two are external members. Its responsibilities include overseeing financial reporting and presentation procedures, which includes reviewing the consolidated financial statement and other information contained in this annual financial report.

The General Auditor of Montréal and the independent auditor, Samson Bélair/Deloitte & Touche s.e.n.c.r.l., have audited the consolidated financial statements and presented the following reports.

Robert Lamontagne, CA, MBA
Senior Director and Treasurer

Louis Roquet
Director General

Montreal, March 29, 2011

Montréal

Bureau du vérificateur général
1550, rue Metcalfe
Bureau 1201
Montréal (Québec) H3A 3P1

REPORT OF THE GENERAL AUDITOR OF MONTRÉAL

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of Ville de Montréal,
the Members of the Montréal Agglomeration Council

I have audited the accompanying consolidated financial statements of Ville de Montréal, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

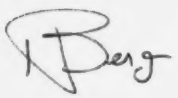
Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ville de Montréal as at December 31, 2010 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Observations

Without modifying my opinion, I draw attention to Note 14 to the consolidated financial statements, which states that the City includes certain financial information prepared for tax purposes in its consolidated financial statements. Management has decided to present this information, which is not required under Canadian public sector accounting standards, as it deems it necessary for a more in-depth and relevant analysis of the activities carried out.

General Auditor of Montréal,



Jacques Bergeron, CA auditor

Montréal, March 29, 2011

Deloitte.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.
1 Place Ville Marie
Suite 3000
Montreal QC H3B 4T9
Canada

Tel.: 514-393-7115
Fax: 514-390-4111
www.deloitte.ca

Independent auditor's report

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of Ville de Montréal,
the Members of the Montréal Agglomeration Council

We have audited the accompanying consolidated financial statements of Ville de Montréal, which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ville de Montréal as at December 31, 2010 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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Samson Bélair / Deloitte & Touche s.e.n.c.r.l.[1]

March 29, 2011

[1] Chartered accountant auditor permit No. 18190

Annual Financial Report **2010**

Consolidated Statement of Financial Position
As at December 31, 2010

	Note	2010	2009 (Note 3)
		(in thousands of dollars)	
FINANCIAL ASSETS			
Cash and temporary investments	4	345,934	409,199
Investments	4	2,093,876	1,594,539
Accounts receivable	5	2,851,313	2,580,279
Assets held for sale		5,200	5,200
Loans	6	24,196	40,083
Employee future benefits asset	11	409,150	
		5,729,669	4,629,300
LIABILITIES			
Temporary loans	7	357,648	136,779
Accounts payable, provisions and accrued liabilities	8	1,475,631	1,523,690
Deferred revenues	9	108,374	92,936
Long-term debt	10	8,446,178	8,009,399
Employee future benefits liability	11		216,184
		10,387,831	9,978,988
NET DEBT		(4,658,162)	(5,349,688)
NON-FINANCIAL ASSETS			
Capital assets	12	9,872,602	9,454,457
Assets held for sale		71,982	88,602
Inventories		65,284	61,532
Other non-financial assets	13	179,901	73,951
		10,189,769	9,678,542
ACCUMULATED SURPLUS	14	5,531,607	4,328,854
Commitments and contingencies	19		

See the accompanying notes and tables.

Consolidated Statement of Operations
Fiscal Year Ended December 31, 2010

(in thousands of dollars)

	Note	2010		2009
		Budget	Actual	Actual
Revenues				
Taxes		2,582,941	2,571,818	2,422,084
Payments in lieu of taxes		211,675	266,571	204,616
Quota shares		361,448	360,465	320,495
Transfers	15	1,308,292	966,667	898,590
Services rendered		857,733	823,808	787,115
Fee collection		116,768	164,174	113,102
Fines and penalties		181,299	186,453	211,529
Interest	16	82,857	98,122	89,928
Other revenues		173,132	199,605	163,179
		5,876,145	5,637,683	5,210,638
Expenditures				
General administration		715,033	280,033	358,741
Public security		932,891	944,275	915,206
Transportation		1,657,471	1,312,178	1,529,980
Environmental hygiene		568,518	526,656	485,109
Health and welfare		143,680	139,474	136,516
Urban planning and development		228,874	225,256	210,792
Recreation and culture		523,661	540,209	517,666
Financing expenses		530,527	466,849	456,571
		5,300,655	4,434,930	4,610,581
Surplus for the year		575,490	1,202,753	600,057
Accumulated surplus at beginning of year				
Balance of accumulated surplus at beginning of year previously reported			4,356,421	3,756,364
Adjustment (Note 3)			(27,567)	(27,567)
Balance of accumulated surplus at beginning of year adjusted			4,328,854	3,728,797
Accumulated surplus at end of year			5,531,607	4,328,854

See the accompanying notes and tables.

Consolidated Statement of the Change in Net Debt
Fiscal Year Ended December 31, 2010

(in thousands of dollars)

	Notes	2010 Budget	2010 Actual	2009 Actual
Surplus for the year		**575,490**	**1,202,753**	600,057
Change in capital assets				
Acquisition		**(1,612,564)**	**(1,059,455)**	(1,287,462)
Proceeds from sale		**4,960**	**19,034**	11,434
Amortization		**623,686**	**643,696**	582,442
(Gain) loss on sale		**(4,960)**	**(4,355)**	77,599
		(988,878)	**(401,080)**	(615,987)
Change in assets held for sale		**5,180**	**16,620**	21,726
Change in inventories			**(636)**	(1,623)
Change in other non-financial assets			**(105,572)**	(614)
		5,180	**(89,588)**	19,489
Integration of an organization	*17*		**(20,559)**	
Change in net debt		**(408,208)**	**691,526**	3,559
Net debt at beginning of year				
Balance of net debt at beginning of year previously reported		**(5,322,121)**	**(5,322,121)**	(5,325,680)
Adjustment (Note 3)			**(27,567)**	(27,567)
Balance of net debt at beginning of year adjusted		**(5,322,121)**	**(5,349,688)**	(5,353,247)
Net debt at end of year		**(5,730,329)**	**(4,658,162)**	(5,349,688)

See the accompanying notes and tables.

Consolidated Statement of Cash Flows
Fiscal Year Ended December 31, 2010

	Note	2010	2009
		(in thousands of dollars)	
Operating activities			
Surplus for the year		**1,202,753**	600,057
Items not affecting cash			
Amortization of capital assets		**643,696**	582,442
Gain (loss) on sale of capital assets		**(4,355)**	77,599
Other		**10,290**	(5,882)
		1,852,384	1,254,216
Change in non-cash items			
Accounts receivable		**(267,343)**	(59,130)
Loans		**15,887**	5,087
Accounts payables, provisions, and accrued liabilities		**(51,841)**	117,967
Deferred revenues		**15,063**	(47,448)
Employee future benefits liability		**(625,334)**	(232,045)
Inventories		**(636)**	(1,623)
Other non-financial assets		**(105,572)**	(614)
		832,608	1,036,410
Capital investing activities			
Acquisition of capital assets		**(1,059,455)**	(1,287,462)
Proceeds from sale of capital assets		**19,034**	11,434
		(1,040,421)	(1,276,028)
Other investing activities			
Acquisition of investments		**(841,399)**	(335,063)
Proceeds from sale of investments		**343,199**	377,060
Net change in assets held for sale		**16,620**	21,646
Integration of an organization	*17*	**1,967**	
		(479,613)	63,643
Financing activities			
Proceeds from long-term debt		**1,064,250**	914,500
Repayment of long-term debt, net of refinancings		**(561,394)**	(467,715)
Bond redemption by refinancing		**(99,564)**	(59,540)
Net change in temporary loans		**220,869**	(181,375)
		624,161	205,870
Increase (decrease) in cash and cash equivalents		**(63,265)**	29,895
Cash and cash equivalents at beginning of year		**409,199**	379,304
Cash and cash equivalents at end of year		**345,934**	409,199

Cash and cash equivalents consist of cash and temporary investments of 90 days or less from the acquisition date.

See the accompanying notes and tables.

Segment Disclosures
As at December 31, 2010

SCHEDULE 1 – CONSOLIDATED FINANCIAL POSITION BY ORGANIZATION *(in thousands of dollars)*

	2010				2009
	Municipal administration	Controlled organizations	Eliminations	Total	Total
					(Note 3)
FINANCIAL ASSETS					
Cash and temporary investments	303,555	42,379		**345,934**	409,199
Investments	1,831,062	262,814		**2,093,876**	1,594,539
Accounts receivable	1,893,281	1,019,933	(61,901)	**2,851,313**	2,580,279
Assets held for sale	5,200			**5,200**	5,200
Loans	3,412	20,784		**24,196**	40,083
Employee future benefits asset	94,593	314,557		**409,150**	
	4,131,103	1,660,467	(61,901)	**5,729,669**	4,629,300
LIABILITIES					
Temporary loans		357,648		**357,648**	136,779
Accounts payable, provisions and accrued liabilities	1,283,104	242,208	(49,681)	**1,475,631**	1,523,690
Deferred revenues	104,643	3,731		**108,374**	92,936
Long-term debt	6,864,766	1,593,632	(12,220)	**8,446,178**	8,009,399
Employee future benefits liability					216,184
	8,252,513	2,197,219	(61,901)	**10,387,831**	9,978,988
NET DEBT	(4,121,410)	(536,752)		**(4,658,162)**	(5,349,688)
NON-FINANCIAL ASSETS					
Capital assets	7,458,409	2,414,193		**9,872,602**	9,454,457
Assets held for sale	46,514	25,468		**71,982**	88,602
Inventories	26,007	39,277		**65,284**	61,532
Other non-financial assets	44,283	135,618		**179,901**	73,951
	7,575,213	2,614,556		**10,189,769**	9,678,542
ACCUMULATED SURPLUS					
Unrestricted operating surplus (deficit)	98,229			**98,229**	(751)
Restricted operating surplus	199,823	27,787		**227,610**	217,650
Financial reserves and reserved funds	177,870	3,388		**181,258**	170,330
Surplus (deficit) from capital asset activities	(179,539)	6,392	(9,417)	**(182,564)**	(468,742)
Amount to be funded in the future	(919,911)	274,869	47,529	**(597,513)**	(1,289,616)
Net investment in capital assets	4,077,331	1,765,368	(38,112)	**5,804,587**	5,699,983
	3,453,803	2,077,804		**5,531,607**	4,328,854

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2010

SCHEDULE 2 – CONSOLIDATED ITEMIZED OPERATIONS BY ORGANIZATION *(in thousands of dollars)*

	2010				2009
	Municipal administration	Controlled organizations	Eliminations	Total	Total
Revenues					
Operating					
Taxes	2,583,721		(11,903)	**2,571,818**	2,422,084
Payments in lieu of taxes	266,571			**266,571**	204,616
Quota shares	360,465	359,400	(359,400)	**360,465**	320,495
Transfers	342,899	113,236		**456,135**	427,987
Services rendered	276,009	564,763	(16,964)	**823,808**	787,115
Fee collection	164,174			**164,174**	113,102
Fines and penalties	186,453			**186,453**	211,529
Interest	89,885	8,237		**98,122**	89,928
Other revenues	80,102	137,060	(36,600)	**180,562**	137,790
	4,350,279	1,182,696	(424,867)	**5,108,108**	4,714,646
Capital Assets					
Quota shares		41,117	(41,117)		
Transfers	174,307	336,225		**510,532**	470,603
Other revenues					
Developers' contributions	14,541			**14,541**	19,749
Other	4,502			**4,502**	5,640
	193,350	377,342	(41,117)	**529,575**	495,992
	4,543,629	1,560,038	(465,984)	**5,637,683**	5,210,638
Expenditures					
General administration	285,215		(5,182)	**280,033**	358,741
Public security	944,275			**944,275**	915,206
Transportation	944,822	787,878	(420,522)	**1,312,178**	1,529,980
Environmental hygiene	527,022		(366)	**526,656**	485,109
Health and welfare	96,099	50,102	(6,727)	**139,474**	136,516
Urban planning and development	225,465	8,592	(8,801)	**225,256**	210,792
Recreation and culture	526,030	38,565	(24,386)	**540,209**	517,666
Financing expenses	398,243	68,606		**466,849**	456,571
	3,947,171	953,743	(465,984)	**4,434,930**	4,610,581
Surplus for the year	596,458	606,295		**1,202,753**	600,057

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2010

SCHEDULE 3 – RECONCILIATION OF THE CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY ORGANIZATION

(in thousands of dollars)

	2010					2009
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
Surplus for the year	575,490	596,458	606,295		**1,202,753**	600,057
Less: revenues from capital asset activities	(849,563)	(193,350)	(377,342)	41,117	**(529,575)**	(495,992)
Operating surplus (deficit) before reconciliation for tax purposes for the year	(274,073)	403,108	228,953	41,117	**673,178**	104,065
Reconciliation for tax purposes						
Capital assets						
Proceeds from sale	4,960	6,351	12,683		**19,034**	11,434
Amortization	623,686	477,995	165,701		**643,696**	582,442
(Gain) loss on sale	(4,960)	(4,540)	185		**(4,355)**	77,599
	623,686	479,806	178,569		**658,375**	671,475
Financing						
Repayment of long-term debt	(412,176)	(358,325)	(64,218)		**(422,543)**	(408,851)
Allocations						
Capital asset activities	(27,805)	(27,206)	(18,425)		**(45,631)**	(34,508)
Unrestricted operating surplus	3,671					
Restricted operating surplus	45,111	96,527			**96,527**	82,712
Financial reserves and reserved funds	(5,216)	(69,277)	1,526		**(67,751)**	(78,841)
Amount to be funded in the future	45,671	(332,568)	(318,418)	(41,117)	**(692,103)**	(322,420)
	61,432	(332,524)	(335,317)	(41,117)	**(708,958)**	(353,057)
Operating surplus (deficit) for tax purposes for the year	(1,131)	192,065	7,987		**200,052**	13,632

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2010

SCHEDULE 4 – RECONCILIATION OF CONSOLIDATED DEFICIT OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY ORGANIZATION *(in thousands of dollars)*

	2010					2009
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
Revenues from capital asset activities	849,563	193,350	377,342	(41,117)	529,575	495,992
Reconciliation for tax purposes						
Capital assets						
Acquisition						
General administration	(38,343)	(26,742)			(26,742)	(22,474)
Public security	(32,161)	(32,839)			(32,839)	(41,826)
Transportation	(1,080,305)	(132,071)	(435,416)		(567,487)	(671,979)
Environmental hygiene	(271,396)	(215,776)			(215,776)	(299,779)
Health and welfare	(3,000)	(1,677)	(726)		(2,403)	(3,282)
Urban planning and development	(25,835)	(55,094)			(55,094)	(82,916)
Recreation and culture	(161,524)	(158,957)	(157)		(159,114)	(165,206)
	(1,612,564)	(623,156)	(436,299)		(1,059,455)	(1,287,462)
Financing						
Long-term financing of capital asset activities	715,483	599,033	65,767	38,112	702,912	578,133
Allocations						
Operating activities	27,805	27,206	18,425		45,631	34,508
Unrestricted operating surplus						(89)
Restricted operating surplus	13,201	10,692			10,692	8,226
Financial reserves and reserved funds	6,512	56,823			56,823	30,929
	47,518	94,721	18,425		113,146	73,594
Surplus (deficit) from capital asset activities for tax purposes for the year		263,948	25,235	(3,005)	286,178	(139,743)

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2010

SCHEDULE 5 – CONSOLIDATED EXPENDITURES BY ITEM AND BY ORGANIZATION *(in thousands of dollars)*

	2010				2009
	Municipal administration	Controlled organizations	Eliminations	Total	Total
Remuneration					
Elected officials	8,737	452		9,189	9,517
Employees	1,447,660	573,122		2,020,802	1,935,339
Employer contributions					
Elected officials	3,621	37		3,658	3,085
Employees	192,613	(162,379)		30,234	344,922
Transportation and communication	45,378	122,782		168,160	133,212
Professionnal, technical and other services					
Professional fees	42,703	16,863		59,566	68,273
Purchase of technical services	228,981	42,819	(12,287)	259,513	248,639
Other	2,665	26		2,691	2,988
Leasing, maintenance and repair					
Leasing	78,567	11,321	(14,367)	75,521	73,825
Maintenance and repair	57,582	23,985		81,567	82,080
Durable goods					
Construction	19,688	3,646		23,334	13,958
Other durable goods	6,010	437		6,447	15,920
Non-durable goods					
Delivery of public services	79,386	11,298	(5,503)	85,181	112,441
Other non-durable goods	126,348	43,297		169,645	171,132
Financing expenses					
Interest and other charges on long-term debt borne by:					
The municipality	289,064	27,864		316,928	305,463
Government of Québec and its enterprises	78,086	35,621		113,707	113,045
Other third parties	27,093	3,185		30,278	31,675
Other financing expenses	4,000	1,936		5,936	6,388
Contributions to organizations					
Municipal organizations					
Société de transport de Montréal	400,517		(400,517)		
Montréal Metropolitan Community	29,707			29,707	29,661
Reconstituted municipalities	508			508	1,565
Other	25,731		(22,787)	2,944	95
Government organizations					
Agence métropolitaine de transport	42,611			42,611	40,613
Other	9,932			9,932	9,380
Other organizations	102,982	10,149	(4,123)	109,008	107,557
Amortization of capital assets	477,995	165,701		643,696	582,442
Loss on sale of capital assets					77,599
Other items					
Doubtful accounts or bad debts	24,046	869		24,915	43,927
Other	94,940	20,712	(6,400)	109,252	45,840
	3,947,171	953,743	(465,984)	4,434,930	4,610,581

See the accompanying notes and tables.

Annual Financial Report **2010**

Notes and Tables to the Consolidated Financial Statements
December 31, 2010

1- GOVERNING STATUTE

Ville de Montréal (the City) is a municipal corporation incorporated on January 1, 2002 under the *Charter of the City of Montréal* (R.S.Q., chapter C-11-4).

On January 1, 2006, following the results of a referendum held in 2004 under *An Act regarding public consultation on the territorial reorganization of certain municipalities* (S.Q. 2003, chapter 14), the former municipalities of Baie-d'Urfé, Beaconsfield, Côte-Saint-Luc, Dollard-Des-Ormeaux, Dorval, Hampstead, Kirkland, Île-Dorval, Montréal-Est, Montréal-Ouest, Ville Mont-Royal, Pointe-Claire, Sainte-Anne-de-Bellevue, Village de Senneville and Westmount were reconstituted. As a result, Ville de Montréal now consists of 19 remaining boroughs that comprise 87% of the total population of the island of Montréal. In accordance with the provisions of this Act, all municipalities located on the island of Montréal, however, remain related to one another and form an agglomeration consistent with the territory of Ville de Montréal as it existed on December 31, 2005.

An Act respecting the exercise of certain municipal powers in certain urban agglomerations (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005), and its amendments lists and defines the powers of the urban agglomeration. Under this Act, Ville de Montréal is the central municipality in charge of exercising, in addition to its local powers, the powers of the agglomeration.

The agglomeration is headed by the City's Urban Agglomeration Council, a political and decision-making body vested with decision-making powers related to urban agglomeration responsibilities. The Urban Agglomeration Council is a central municipal legislative body, separate from city council under Section 14 of the Charter of the City of Montréal. It is made up of representatives of each related municipality, with the number of representatives of each municipality being determined proportionately to the relative size of their populations.

2- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

The term "City," as used in the segment disclosures, accompanying notes and tables, refers to the entity made up of Ville de Montréal and the organizations under its control. The term "municipal administration" refers to Ville de Montréal excluding the organizations under its control.

The significant accounting policies are as follows:

a) Principles of consolidation

The consolidated financial statements include the accounts of the City and of the organizations under its control. These organizations include the Société de transport de Montréal, the Société d'habitation et de développement de Montréal, the Montréal Technoparc, the Société du parc Jean-Drapeau, the Conseil des arts de Montréal, the Conseil interculturel de Montréal, the Office de consultation publique de Montréal, the Société de gestion NauBerges de Lachine, Anjou 80 and the Société vélo en libre-service (note 17). Transactions concluded between these organizations and reciprocal balances are eliminated.

b) Accounting method

Transactions are recorded in the City's books using the accrual basis of accounting. Under this method, assets, liabilities, revenues and expenditures are recognized in the year in which the events and transactions occur.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of estimates

Preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that affect the reported amounts of revenues, expenditures, assets, liabilities, and commitments and contingencies. Actual results could differ from these estimates.

The main estimates made relate to the following items: the allowance for doubtful accounts, the net realizable values of assets held for sale, the estimated useful lives of capital assets, provisions for salaries and benefit costs, liabilities for solid waste landfill closure and post-closure costs, contested valuations and legal claims and actuarial assumptions for establishing employee future benefit costs and obligations.

d) Investments

Temporary investments are recorded at the lower of cost and fair value.

Other investments are recorded at cost and written down when there is a permanent decline in value. Discounts or premiums on investments are amortized on a straight-line basis until maturity. Amounts accumulated in "Investments – Sinking Fund" are restricted to the repayment of long-term loans that do not require annual repayment.

e) Assets held for sale

Assets held for sale are recorded at the lower of cost and net realizable value. The portion of these assets held for selling purposes for the subsequent year is presented in financial assets.

f) Loans

Loans are presented at cost. Loans with significant concessionary terms are presented at face value discounted by the amount of the grant portion. The discount is amortized over the term of the loan using the effective interest method.

g) Provision for contested valuations

The provision for contested valuations is an estimate of refunds (both principal and interest) that may result from court decisions on contested real estate valuations or rental values and on contested classifications under the *Act respecting Municipal Taxation*.

h) Deferred revenues

Premiums on the issuance of securities are amortized over the terms of the related loans, and the deferred revenues resulting from the sale of a concession are amortized on a straight-line basis over the term of the agreement. Unrealized net foreign exchange gains are amortized using the method described in Note 2 r).

i) Other non-financial assets

The City records capital assets and other non-financial assets as assets since they can be used to provide services in subsequent years. These assets do not usually provide resources assigned to the settlement of its liabilities unless they are sold.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the following useful lives:

Infrastructures	10 to 40 years
Metro system	15 to 100 years
Buildings	25 to 40 years
Leasehold improvements	lease term
Vehicles	5 to 20 years
Office furniture and equipment	5 to 10 years
Machinery, tools and equipment	5 to 25 years
Other	20 to 25 years

Capital assets in the process of completion are only amortized when they can be used in the production of goods or in the provision of services.

Land used as road foundations, otherwise acquired by a purchase contract, is recorded at a nominal value of $1. Other land is recorded at cost. When the cost cannot be traced, it is estimated.

k) Inventories

Inventories are recorded at cost, which is determined using the average cost method. Obsolete inventory is written off.

l) Other non-financial assets

Securities issuance costs are amortized on a straight-line basis over the terms of the related borrowings.

m) Quota shares

The expenditures incurred by the City in exercising urban agglomeration responsibilities are invoiced to the municipalities related to the agglomeration. Revenues from this invoicing are recorded as quota shares in the Statement of Operations.

n) Transfer revenues

Transfer revenues are recorded in the Statement of Operations when the related operating and capital expenditures are recorded, provided that the City meets the eligibility criteria.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Employee future benefits costs and obligations

- Defined benefit plans

Plan assets or liabilities reflect the year-end difference existing between the value of the accrued benefit obligations and the value of plan assets, net of unamortized actuarial gains and losses and the valuation allowance. The actuarial valuation of these assets or liabilities is determined using the projected benefit method prorated on years of service with salary projection. It is also based on actuarial assumptions that include management's best estimates on, among other things, discount rates, the expected rate of return on plan assets, and the rate of compensation increase and healthcare costs.

Plan assets are valued using a market-related value, determined over a period not exceeding five years.

Past service costs related to plan amendments are recognized in the year during which the amendments are made.

Actuarial gains and losses resulting from the difference between the actual and the expected rate of return on plan assets or resulting from changes in actuarial assumptions are deferred and amortized over the average remaining service life of active employees. As at December 31, 2010, this weighted average remaining service life is 14 years.

- Defined contribution plans and pension plan for elected officials

The pension expense for these plans is recognized when contributions are due.

p) Liabilities for solid waste landfill closure and post-closure costs

The City records a liability for closure and post-closure costs of solid waste landfills that it has operated. The liability provision for these costs is an estimate of the costs required to provide final cover for closed landfills and to monitor and maintain the biogas and leachate collection and treatment systems for an estimated period of 20 years. These estimated costs are recognized based on the landfill capacity already used.

The assumptions used to calculate these costs are periodically reviewed to account for advancements made in solid waste landfill management practices.

q) Environmental obligations

The City records an environmental liability when it is likely that corrective measures will be applied and the costs of these measures can be reasonably estimated.

r) Foreign currency translation

Revenues and expenditures related to foreign currency transactions are translated into Canadian dollars using the exchange rates in effect on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates in effect on the reporting date, and foreign exchange gains or losses are immediately charged to the Statement of Operations if they are short-term cash items.

Loan repayments and payments to the Sinking Fund, with respect to loans denominated in foreign currencies that are not subject to a hedge against currency exposure, are translated using the exchange rates in effect on the transaction dates. For these loans, gains and losses resulting from the difference between the original conversion rate and conversion rate used on the repayment or payment date are recorded in the Statement of Operations.

The foreign exchange gain or loss resulting from a long-term monetary item denominated in a foreign currency but not subject to a hedge against currency exposure is recognized in the Statement of Financial Position as a deferred item and charged to the Statement of Operations using the straight-line method over the remaining term of the loans.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Derivative financial instruments

The City uses derivative financial instruments to reduce its currency and interest rate risk exposure on long-term debt and applies hedge accounting in its eligible hedging relationships in order to benefit from hedge accounting. When implemented, the foreign exchange hedging relationships must be fully documented as required under standard PS 2600, Foreign Currency Translation, and the City must secure efficient relationships for managing the attendant risks. Then the current hedging relationships are evaluated on an annual basis to ensure that they continue to be efficient, and it is expected that they will remain efficient. The efficiency of a hedging relationship is generally evaluated by analyzing whether the main terms of the swap match those of the debt covered. The City does not use financial instruments for trading or speculative purposes.

The City uses cross-currency swaps to manage the risk associated with loans denominated in foreign currencies. The value of currency swaps is determined by applying the change between the foreign exchange rates stipulated in the swap contracts and exchange rates in effect on the reporting date to the notional amounts of the swaps. Those that constitute financial assets are deducted from long-term debt, and those that constitute financial liabilities are added to long-term debt. Gains and losses on these derivatives are recognized in the same period as the exchange gains and losses related to the corresponding debt and are charged against the latter.

Furthermore, the City uses interest rate swaps to manage interest rate risk related to its debt. These contracts result in interest exchanges that are recorded as an adjustment to financing expenses for the year. The amounts payable to counterparties or receivable from counterparties are recorded as an adjustment to the accrued interest on the corresponding debt; otherwise, the value of the interest rate swap contracts is not recorded in the Statement of Financial Position.

t) Urban agglomeration responsibilities

Under an *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), the City, in addition to its local powers, exercises agglomeration powers over the entire territory of related municipalities. The main agglomeration powers cover the following areas: municipal assessments; public transit; certain functions related to the thoroughfares forming the arterial road system; water supply and water purification; disposal and reclamation of residual materials; municipal watercourses; police, emergency preparedness, fire protection and first responder services (except for the territory of the municipality of Côte-Saint-Luc); the municipal court; social housing and assistance to the homeless; and certain components of economic development. Tables 1 and 2 provide a breakdown of the operating activities and capital asset surplus (deficit) for tax purposes according to both local and agglomeration responsibilities.

u) Sectorization and presentation of operations

The City's financial position, operations, operating and capital asset surplus (deficit) for the year for tax purposes, and by-item expenditures are broken down between the following sectors: municipal administration and controlled organizations.

Expenditures are broken down as follows:

The "General administration" item refers to all municipal administration and management activity. Expenditures relate primarily to council activities, applications of the law, and financial, administrative and staff management.

The "Public security" item refers to all activities involving the protection of people and property. It includes all expenditures related to control, prevention and emergency measures regarding emergency preparedness.

The "Transportation" item refers to all activities related to planning, organizing and maintaining road systems and to the transportation of people and goods.

The "Environmental hygiene" item refers to all expenditures related to water, sewers, waste removal, and environmental protection.

The "Health and welfare" item refers to all community health and welfare services.

The "Urban planning and development" item refers to the development and maintenance of the urban development plan or city plan as well as all expenditures related to developing the City's economic development programs.

The "Recreation and culture" item refers to all the planning, organizing, and managing of recreational and cultural programs.

The "Financing expenses" item refers to the interest and other charges involved in financing.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Budget information

The Consolidated Statement of Operations and the Consolidated Statement of Change in Net Debt include a comparison with consolidated budget data, adjusted in accordance with Canadian public sector accounting standards. The consolidated budget is prepared by combining the unconsolidated budget adopted by the municipal administration with the budgets adopted by the main controlled organizations, after eliminating reciprocal transactions. This budget information has not been audited.

A comparison with the unconsolidated budget, adopted in January 2010 by the city council and the Urban Agglomeration Council, is also presented in the schedules and tables prepared for tax purposes.

3- RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

Upon the measurement of the accrued benefit obligation of superannuation pension plans, the consolidated statement of financial position as at December 31, 2009 has been adjusted to reflect an increase in employee future benefits liability of $27.6 million and a decrease in accumulated surplus by an equivalent amount, i.e., $9.4 million in unrestricted operating surplus and $18.2 million in the amount to be funded in the future. This adjustment does not have an impact on operations, change in net debt and cash flows for the year ended December 31, 2009.

4- CASH AND INVESTMENTS
(in thousands of dollars)

	2010			2009
	Sinking Fund	Other	Total	Total
Cash and temporary investments				
Cash		22,478	22,478	20,310
Temporary investments		323,456	323,456	388,889
		345,934	345,934	409,199
Investments				
Term deposits and other securities	134,464	473,926	608,390	352,894
Bonds and debentures	1,277,279	208,207	1,485,486	1,241,645
	1,411,743	682,133	2,093,876	1,594,539

Temporary investments with a term of 90 days or less effective on the acquisition date, essentially include notes, bankers' acceptances and deposit certificates. They bear interest at rates varying between 1.09% and 1.69% (0.25% and 0.42% in 2009).

As at December 31, 2010, the fair value of investments was $2,159.4 million ($1,648.8 million in 2009).

As at December 31, 2009, the Sinking Fund and other investments totalled $1,391.3 million and $203.2 million, respectively.

Bonds and debentures held by the City are essentially comprised of securities issued by governments and their bodies and by municipalities, school boards, CEGEPs, CLSCs and hospitals. In particular, they include City bonds totalling $349.6 million ($140.9 million in 2009).

Notes and Tables to the Consolidated Financial Statements
December 31, 2010

4- CASH AND INVESTMENTS (continued)
(in thousands of dollars)

Substantially all of the investments were denominated in Canadian dollars as at December 31, 2010 and December 31, 2009. The maturities of Sinking Fund investments held by the City are as follows:

	Term deposits and other securities	Bonds and debentures	Total	Weighted nominal interest rate
December 31, 2010				
2011	583,525	216,173	799,698	2.09%
2012	24,865	39,618	64,483	4.12%
2013		111,148	111,148	4.92%
2014		116,087	116,087	6.55%
2015		111,107	111,107	4.22%
1 to 5 years	608,390	594,133	1,202,523	3.09%
6 to 10 years		779,529	779,529	3.81%
11 to 15 years		107,206	107,206	5.26%
16 to 20 years		4,618	4,618	5.59%
	608,390	1,485,486	2,093,876	
December 31, 2009				
2010	352,894	162,060	514,954	2.73%
2011		232,101	232,101	5.49%
2012		44,810	44,810	5.85%
2013		115,555	115,555	5.48%
2014		123,511	123,511	6.19%
1 to 5 years	352,894	678,037	1,030,931	4.21%
6 to 10 years		460,183	460,183	5.12%
11 to 15 years		103,425	103,425	5.29%
	352,894	1,241,645	1,594,539	

5- ACCOUNTS RECEIVABLE
(in thousands of dollars)

	2010	2009
Taxes	76,639	75,311
Government of Canada and its enterprises	154,915	109,304
Government of Québec and its enterprises	2,231,239	2,078,907
Municipal organizations	1,483	5,904
Services rendered and other	387,037	310,853
	2,851,313	2,580,279

An allowance for doubtful accounts of $108,6 million ($91,1 million in 2009) has been deducted from accounts receivable.

An organization has entered into a factoring agreement with a bank institution. The agreement allows the organization to have access to a maximum of $25 million, supported by the factoring of short-term accounts receivable. Accounts receivable in the amount of $34.7 million were factored to the banking institution during the year and the factoring cost of these accounts receivable is $0.4 million.

5- ACCOUNTS RECEIVABLE (continued)
(in thousands of dollars)

	2010	2009
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	1,723,799	1,659,991

The fair value of the receivables to be used to repay long-term debt is $1,876.4 million ($1,769.4 million in 2009).

Accounts receivable collected for the repayment of long-term debt, for which repayment terms were determined as at December 31, 2009, are as follows:

	Receipts	Weighted nominal interest rate	Refinancing
December 31, 2010			
2011	30,657	5.80%	31,629
2012	53,477	5.13%	36,891
2013	70,779	5.13%	63,869
2014	155,932	5.02%	73,012
2015	62,419	4.47%	64,174
1 to 5 years	373,264	5.03%	269,575
6 to 10 years	701,496	5.24%	88,383
11 to 15 years	124,945	7.09%	2,161
16 to 20 years	83,849	5.32%	6,345
	1,283,554	5.37%	366,464
December 31, 2009			
2010	37,632	6.62%	26,047
2011	40,132	6.56%	23,955
2012	59,926	5.30%	35,768
2013	96,460	5.28%	50,638
2014	175,216	5.04%	70,709
1 to 5 years	409,366	5.43%	207,117
6 to 10 years	650,731	5.25%	131,145
11 to 15 years	140,326	7.18%	2,161
16 to 20 years	87,570	5.38%	6,345
	1,287,993	5.53%	346,768

6- LOANS
(in thousands of dollars)

	2010	2009
Loans	19,437	34,347
Balances of sales prices	4,759	5,736
	24,196	40,083

The loans, secured by mortgages in an amount of $16 million and maturing from 2011 to 2033, bear interest at rates varying between 0% and 9%. An amount of $4.2 million has been deducted from the value of the loans to present them at discounted face value ($4.4 million in 2009).

Balances of sales prices, which mature from 2011 to 2017, bear interest at rates varying between 3.5% and 9%.

As at December 31, 2010, the fair value of loans and the balances of sales prices was $19.7 million ($39.5 million in 2009).

7- TEMPORARY LOANS

The City has two levers for its short-term liquidity needs that totalled $1,660.3 million as at December 31, 2010 ($1,547.3 million in 2009).

Of this amount, $1,374.3 million ($500 million under the limit voted on by the Société de transport and $874.3 million under the *Charter of the City of Montréal*, which authorizes up to 20% of the budgetary appropriations) may be borrowed, in whole or in part, through notes, bankers' acceptances or securities that may be negotiated with chartered banks or on the open market for short-term borrowings. As at December 31, 2010, the nominal value of commercial paper issuances was $331.4 million ($87 million in 2009) and the average rate on these temporary loans was 0.75% (1.44% in 2009).

The City also has demand lines of credit from different banks totalling $286 million. As at December 31, 2010, the amount of the credit used was $26.2 million ($50 million in 2009) and bears interest at an average rate of 1.25% (1.25% in 2009).

8- ACCOUNTS PAYABLE, PROVISIONS AND ACCRUED LIABILITIES
(in thousands of dollars)

	2010	2009
Trade accounts payable	469,439	496,096
Salaries, source deductions and employee benefits	517,694	537,611
Accrued interest payable on long-term debt	77,044	76,809
Provisions		
Solid waste landfill closure and post-closure costs	44,183	44,262
Contested valuations	72,919	89,949
Other	124,145	110,925
Deposits and holdbacks	79,984	68,126
Government of Québec and its enterprises	24,255	25,290
Government of Canada and its enterprises	12,749	11,737
Other	53,219	62,885
	1,475,631	1,523,690

9- DEFERRED REVENUES
(in thousands of dollars)

	2010	2009
Premium upon issuance of securities	58,478	40,752
Sale of a concession	28,000	30,000
Transfers	4,600	2,172
Pension plan	4,264	5,295
Unrealized net foreign exchange gains	2,965	3,075
Other	10,067	11,642
	108,374	92,936

10- LONG-TERM DEBT
(in thousands of dollars)

	2010	2009
Bonds and notes		
In Canadian dollars (1)	8,138,966	7,724,439
In foreign currencies	84,805	84,499
Other long-term debt		
Obligations under capital leases	2,301	2,660
Term loans and mortgages (2)	173,783	183,913
Other	46,323	13,888
	8,446,178	8,009,399

(1) Includes the long-term debt related to repaying the net pension plan obligation totalling $1,313.4 million ($1,321.1 million in 2009).

(2) Mortgages in the amount of $55 million ($59.2 million in 2009) are guaranteed by properties with a carrying value of $55.7 million ($59.4 million in 2009).

The repayment of the long-term debt is allocated as follows:

	2010	2009
Chargeable to taxpayers		
Of the central municipality	3,051,439	2,766,458
Of the agglomeration	1,958,930	1,914,496
Accumulated amounts in the Sinking Fund	1,411,743	1,391,311
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	1,723,799	1,659,991
Amount recoverable through user fees	300,267	277,143
	8,446,178	8,009,399

The City uses currency and interest-rate swap agreements for loans totalling $533.9 million ($750.7 million in 2009). The financial liabilities associated with these swaps, which amount to $122.4 million ($157 million in 2009), are included in the long-term debt amount.

Considering the existence of these swaps, substantially all of the loans contracted by the City bear interest at a fixed rate. As at December 31, 2010, unhedged foreign exchange loans amounted to $84.8 million ($84.5 million in 2009) and the foreign exchange loss on these loans amounted to $0.3 million ($17.5 million in 2009). In this regard, an amount of $23.3 million ($22.4 million in 2009) was recorded in the Sinking Fund.

10- LONG-TERM DEBT (continued)
(in thousands of dollars)

Estimated payments on long-term debt are as follows:

	2010					2009		
Maturity	Canadian dollars (1)	Foreign currencies	Maturity	Refinancing	Net maturity	Maturity	Refinancing	Net maturity
2010						704,488	158,860	545,628
2011	674,973		674,973	142,643	532,330	615,299	142,533	472,766
2012	455,056	34,811	489,867	206,205	283,662	464,776	207,372	257,404
2013	615,414	49,712	665,126	303,548	361,578	634,406	302,186	332,220
2014	677,810		677,810	197,078	480,732	651,320	197,020	454,300
2015	502,055		502,055	241,114	260,941			
1 to 5 years	2,925,308	84,523	3,009,831	1,090,588	1,919,243	3,070,289	1,007,971	2,062,318
6 to 10 years	3,011,112		3,011,112	696,526	2,314,586	2,666,523	724,513	1,942,010
11 to 15 years	817,459		817,459	22,333	795,126	747,306	22,333	724,973
16 to 20 years	555,764		555,764	8,172	547,592	473,238	8,172	465,066
2043	932,556		932,556		932,556	932,556		932,556
2045	119,174		119,174		119,174	119,174		119,174
Perpetuity		282	282		282	313		313
TOTAL	8,361,373	84,805	8,446,178	1,817,619	6,628,559	8,009,399	1,762,989	6,246,410

Debt summary:

	2010			2009		
	Foreign currencies	Canadian dollars	%	Foreign currencies	Canadian dollars	%
Canadian dollars (1)		8,361,373	99.00		7,924,900	98.95
U.S. dollars	35,000	34,811	0.41	35,000	36,785	0.46
Swiss Francs	46,700	49,712	0.59	46,700	47,401	0.59
Pounds Sterling	182	282	0.00	183	313	0.00
		8,446,178	100.00		8,009,399	100.00

(1) Including loans contracted in foreign currencies that are subject to hedging.

Notes and Tables to the Consolidated Financial Statements (continued)
December 31, 2010

10- LONG-TERM DEBT (continued)
(in thousands of dollars)

Interest rates

The interest rates shown in the table take into account the nominal interest rate and impact of interest rate swaps.

	2010			2009
Maturity	Canadian dollars	Foreign currencies	Weighted average	Weighted average
1 to 5 years	5.05%		5.04%	5.67%
6 to 10 years	5.10%	3.62%	5.10%	5.08%
11 to 15 years	5.64%		5.64%	5.84%
16 to 20 years	4.88%		4.88%	5.05%
2043	6.00%		6.00%	6.00%
2045	6.00%		6.00%	6.00%
Perpetuity		3.00%	3.00%	3.00%
Weighted average	5.23%	3.62%	5.22%	5.50%

Fair value

The fair value of the debt was $9,092.7 million ($8,438.3 million in 2009). Fair value includes the net financial liabilities associated with foreign currency and interest-rate swaps of $143.6 million ($195.8 million in 2009).

11- EMPLOYEE FUTURE BENEFITS LIABILITY (ASSET)
(in thousands of dollars)

	2010	2009 (Note 3)
Defined benefit pension plans	(638,357)	(5,717)
Other plans	229,207	221,901
Liability (asset) employee future benefits	(409,150)	216,184

Expenses for the defined benefit plans totalled -$285.8 million ($40.6 million in 2009). Expenses for the defined contribution plans and the pension plans of elected officials totalled $0.5 million ($0.6 million in 2009) and $2.2 million ($1.8 million in 2009), respectively.

11- EMPLOYEE FUTURE BENEFITS LIABILITY (ASSET) (continued)
(in thousands of dollars)

Defined benefit plans

a) Description of plans

The City offers various defined benefit pension plans to most of its employees. Under these plans, benefits paid to employees are based on the number of years of service and the average salary for the highest paid years. The City's contributions are determined according to various actuarial methods.

Other retirement benefits, including life insurance and insurance coverage for medical and dental costs, are also provided to certain employees. Certain post-employment benefits are also provided and include, in particular, income replacement benefits, supplemental unemployment benefits, maintenance of coverage during periods of temporary absence and certain termination allowances. These plans are not funded.

b) Reconciliation of the funded status of the benefit plans with the amounts recorded in the Consolidated Statement of Financial Position

	2010		2009	
	Pension plans	Other plans	Pension plans (Note 3)	Other plans
Actuarial value of plan assets	12,466,188		12,685,269	
Accrued benefit obligation	(14,057,032)	(229,578)	(12,971,064)	(222,161)
Capitalization deficit	(1,590,844)	(229,578)	(285,795)	(222,161)
Unamortized actuarial losses	2,303,642	371	989,216	260
Accrued benefit asset (liability)	712,798	(229,207)	703,421	(221,901)
Valuation allowance	(74,441)		(697,704)	
Employee future benefits asset (liability)	638,357	(229,207)	5,717	(221,901)

c) Plans in which the accrued benefit obligation exceeds the plan assets

	2010		2009	
	Pension plans	Other plans	Pension plans (Note 3)	Other plans
Accrued benefit obligation	(11,687,805)	(229,578)	(6,794,989)	(222,161)
Actuarial value of plan assets	10,017,495		5,645,165	
Capitalization deficit	(1,670,310)	(229,578)	(1,149,824)	(222,161)

11- EMPLOYEE FUTURE BENEFITS LIABILITY (ASSET) (continued)
(in thousands of dollars)

d) Actuarial value of plan assets

	2010		2009	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	12,685,269		12,936,672	
Contributions for the year	442,356	8,931	356,513	11,715
Expected return on plan assets	837,381		809,088	
Benefits paid	(782,743)	(8,931)	(804,187)	(11,715)
Loss during the year on the expected return on plan assets	(716,075)		(612,817)	
Balance at end	12,466,188		12,685,269	
Fair value of plan assets	12,453,998		11,652,921	

e) Accrued benefit obligation

	2010		2009	
	Pension plans	Other plans	Pension plans (Note 3)	Other plans
Balance at beginning	12,971,064	222,161	13,143,774	198,387
Current service cost	324,586	7,222	314,238	9,624
Past service cost	127	2,435	13,100	
Benefits paid	(782,743)	(8,931)	(804,187)	(11,715)
Interest cost on the obligation	849,746	9,903	820,007	9,946
Loss (gain) on the obligation during the year	694,252	(3,212)	(515,868)	15,919
Balance at end	14,057,032	229,578	12,971,064	222,161

Notes and Tables to the Consolidated Financial Statements (continued)
December 31, 2010

11- EMPLOYEE FUTURE BENEFITS LIABILITY (ASSET) (continued)
(in thousands of dollars)

f) Components of the expense for defined benefits plans

	2010		2009	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	324,586	7,222	314,238	9,624
Past service cost	127	2,435	13,100	
Employee contributions	(111,719)		(95,591)	
Amortization of actuarial losses (gains)	95,901	(3,323)	85,010	(2,102)
Retirement benefits expense	308,895	6,334	316,757	7,522
Interest cost on the obligation	849,746	9,903	820,007	9,946
Expected return on plan assets	(837,381)		(809,088)	
Interest cost	12,365	9,903	10,919	9,946
Change in valuation allowance	(623,263)		(304,552)	
Total expense	(302,003)	16,237	23,124	17,468

g) Principal actuarial assumptions (weighted rates)

The principal actuarial assumptions used in the actuarial valuations performed from December 31, 2007 to December 31, 2009 are as follows:

	2010		2009	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	6.00% to 6.50%	4.50% to 5.00%	6.50% to 6.90%	5.00%
Rate of expected return on plan assets	6.00% to 6.50%		6.50% to 6.90%	
Salary escalation rate	3.00% to 3.75%	3,21% to 3,75%	2.50% to 4.00%	2.25% to 3.75%
Initial growth rate for healthcare costs		6,50% to 9,69%		6.60% to 9.22%
Ultimate growth rate for healthcare costs		4.30% to 7.00%		4.30% to 7.00%
Year when rate is expected to stabilize		2024 and 2025		2024 and 2025
Initial growth rate for dental care costs		4.00% to 5.00%		4.00% to 5.00%

11- EMPLOYEE FUTURE BENEFITS LIABILITY (ASSET) (continued)
(in thousands of dollars)

Defined contribution plans and plans of elected officials

a) Description of plans

Some employees are members of defined contribution plans, under which the City's contribution represents a percentage of pay. Elected officials are members of defined benefit pension plans administered by the Commission administrative des régimes de retraite et d'assurances du Québec. The City's contributions are determined by the government.

b) Employer contributions

	2010	2009
Defined contribution plans	466	585
Pension plans of elected officials	2,156	1,796

12- CAPITAL ASSETS
(in thousands of dollars)

	Balance as at December 31, 2009	Increase (1)	Decrease	Balance as at December 31, 2010
COST				
Infrastructures	8,912,420	437,198	107,264	9,242,354
Metro system	2,352,847	134,835		2,487,682
Buildings	2,213,139	118,945	5,290	2,326,794
Leasehold improvements	70,475	9,880	5,590	74,765
Vehicles	1,223,046	272,623	222,019	1,273,650
Office furniture and equipment	412,247	51,250	95,119	368,378
Machinery, tools and equipment	225,613	30,922	668	255,867
Land	972,009	20,251		992,260
Other	25,592	616	15,137	11,071
	16,407,388	1,076,520	451,087	17,032,821
ACCUMULATED AMORTIZATION				
Infrastructures	3,683,479	351,134	107,264	3,927,349
Metro system	1,379,456	55,061		1,434,517
Buildings	999,857	57,621	172	1,057,306
Leasehold improvements	34,627	5,325	5,590	34,362
Vehicles	595,680	95,220	212,458	478,442
Office furniture and equipment	178,579	62,026	95,119	145,486
Machinery, tools and equipment	59,667	15,522	668	74,521
Other	21,586	1,787	15,137	8,236
	6,952,931	643,696	436,408	7,160,219
NET CARRYING VALUE	9,454,457			9,872,602

(1) The increase of $1,076.5 million includes capital assets of $17.1 million of an integrated organization (note 17).

Capital assets in the process of completion, for which the cost totalled $383.8 million as at December 31, 2010 ($417.6 million in 2009), are not amortized.

13- OTHER NON-FINANCIAL ASSETS
(in thousands of dollars)

	2010	2009
Deposits to purchase metro cars and buses	124,338	17,248
Securities issuance costs	40,025	44,562
Other	15,538	12,141
	179,901	73,951

14- ACCUMULATED SURPLUS
(in thousands of dollars)

	2010	2009 (Note 3)
Unrestricted operating surplus (deficit)	98,229	(751)
Restricted operating surplus	227,610	217,650
Financial reserves and reserved funds	181,258	170,330
Deficit of capital asset activities	(182,564)	(468,742)
Amount to be funded in the future	(597,513)	(1,289,616)
Net investment in capital assets	5,804,587	5,699,983
	5,531,607	4,328,854

In accordance with the model developed by the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire of the Government of Québec, the City presents certain financial information prepared for tax purposes in its annual financial report. Besides a breakdown of the accumulated surplus in various items defined in the following paragraphs, the financial information is presented in Schedules 3 and 4; in Tables 1, 2 and 3 of the Notes and Tables to the Consolidated Financial Statements; and in the section of the report that deals specifically with the municipal administration:

Restricted operating surplus

The restricted operating surplus is the portion of the accumulated surplus whose use is reserved under the *Act to reform the municipal territorial organization of the metropolitan regions of Montréal, Québec and Outaouais* (2000, chapter 56), under the *Charter of the City of Montréal*, or under resolutions adopted by the city council, the Urban Agglomeration Council and the borough councils.

Financial reserves and reserved funds

Certain amounts collected by the City must be recorded in special accounts of accumulated surplus and used for specific purposes. These purposes include, in particular, the development and maintenance of parks, playing fields and parking areas; the provision of water and road network services; and the acquisition of capital assets.

Deficit on capital asset activities

The deficit on capital asset activities is equal to the surplus of costs of capital assets on the financing realized.

Amount to be funded in the future

The amount to be funded in the future is equal to the net balance of the expenditures recognized in the Statement of Operations that will be subject to future revenues. Except for the balance related to the initial obligation as at January 1, 2007 for other retirement benefits and other post-employment employee future benefits, this amount will be transferred by allocating it to the unrestricted operating surplus over estimated periods through to 2045. The amount to be funded in the future results from the following:

- the application of transitional measures related to accounting policy changes made in 2000 (amortization over an estimated period through to 2020);

14- ACCUMULATED SURPLUS (continued)
(in thousands of dollars)

- application of relief measures related to employee future benefits (amortization over an estimated period through to 2025);

- the long-term financing of certain expenditures, essentially related to the 2003 and 2005 refinancing of notarized deeds relating to certain pension plans (amortization over an estimated period through to 2045).

Net investment in capital assets

The net investment in capital assets is equal to the net carrying value of capital assets, minus the debt portion related to these assets and the related unrealized net foreign exchange gains, plus Sinking Fund investments that have accrued to repay the debt and the receivables amount to be collected from third parties for said repayment.

15- TRANSFER REVENUES
(in thousands of dollars)

	2010	2009
Transfers - Operating activities		
Government of Québec	456,135	427,987
Transfers - Capital asset activities		
Government of Canada		
Canada/Québec Infrastructure program	36,948	28,586
Transportation Security program	(217)	6,589
Gas tax program and the Québec government's contribution (TECQ)	47,372	
Other	4,032	
Government of Québec		
Canada/Québec Infrastructure program	38,227	28,302
Québec/Municipalities Infrastructure program	105,697	169,039
Gas tax program and the Québec government's contribution (TECQ)	242,678	190,885
Other	35,795	47,202
	510,532	470,603
	966,667	898,590

16- INTEREST INCOME
(in thousands of dollars)

	2010	2009
Sinking Fund	61,972	62,358
Cash and other interest	26,811	17,777
Tax arrears	9,339	9,793
	98,122	89,928

17- SOCIÉTÉ DE VÉLO EN LIBRE-SERVICE
(in thousands of dollars)

At year-end, the City began the full consolidation of Société de vélo en libre-service. The integrated assets and liabilities are as follows:

Financial assets	
Cash and temporaty investments	1,967
Investments	1,760
Accounts receivable	3,900
	7,627
Liabilities	
Accounts payable, provisions and accrued liabilities	3,782
Deferred revenues	485
Long-term debt	33,173
	37,440
Net debt	(29,813)
Non-financial assets	
Capital assets	17,065
Inventories	3,116
Other non-financial assets	378
	20,559
Accumulated deficit	(9,254)

18- FINANCIAL INSTRUMENTS

Use of derivative instruments

The City uses derivative financial instruments to reduce its exposure to changes in cash flows associated with changes in foreign exchange rates and interest rates on its long-term debt. It does not use derivative financial instruments for trading or speculative purposes.

Exchange and interest positions

As at December 31, 2010, considering the use of currency and interest-rate swaps, substantially all of the City's loans are denominated in Canadian dollars and bear interest at a fixed rate.

Credit risk

In using derivative financial instruments, the City is exposed to credit losses arising from third-party defaults on payment. The City believes these parties will be able to meet their obligations since it deals only with recognized institutions whose credit ratings are higher than its own.

18- FINANCIAL INSTRUMENTS (continued)

Fair value

The fair values of cash and temporary investments, accounts receivable other than those used to repay long-term debt, temporary loans, and accounts payable, provisions and accrued liabilities approximate their carrying values due to the short maturities of these financial instruments.

The following table shows the fair values and carrying values of other financial instruments:

(in thousands of dollars)	2010		2009	
	Fair value	Carrying value	Fair value	Carrying value
Investments	2,159,403	2,093,876	1,648,769	1,594,539
Receivables amount to be used to repay long-term debt	1,876,403	1,723,799	1,769,446	1,659,991
Loans	19,711	24,196	39,467	40,083
Long-term debt	9,092,730	8,446,178	8,438,273	8,009,399

The fair value of investments is the amount at which they could be exchanged on the market between parties at arm's length. The fair value of the receivables amount to be used to repay long-term debt, the loans and the long-term debt is essentially based on a discounted cash flow calculation that uses rates of return or the year-end market price of similar instruments with the same maturity. The fair value of swaps is the amount the City would receive or pay if these contracts closed at that date. As at December 31, 2010, the fair value and carrying value of financial liabilities associated with swaps stood at $143.6 million and $122.4 million ($195.8 million and $157 million in 2009). They are included in the long-term debt amounts.

19- COMMITMENTS AND CONTINGENCIES

a) Contractual obligations

The City has contractual obligations relating primarily to property leases, equipment and machinery rentals, and snow-removal and garbage collection services. Under these obligations, the City has committed to paying a total amount of $1,170.4 million. The estimated amounts payable over the coming years are as follows:

2011	2012	2013	2014	2015	2016-2069	Total
$278 M	$239 M	$197,1 M	$109,8 M	$140,6 M	$205,9 M	$1,170,4 M

Capital activity commitments total $2,355.8 million of which $1,811.6 million is to purchase metro cars.

The City has negotiated agreements to be supplied with diesel fuel at a set price until December 2012. As at December 31, 2010, the balance of the commitment was $56.9 million.

b) Ownership of property used to extend the metro system to the City of Laval

On April 28, 2007, the Agence métropolitaine de transport transferred the property used in extending the metro system to Laval to the City (Société de transport de Montréal) at no cost under Section 47 of the Act respecting the Agence métropolitaine de transport ("deed evidencing the transfer dated April 28, 2007"). On December 21, 2007, this transfer was cancelled on the condition that a new agreement be negotiated by the parties before February 28, 2008 ("reconveyance agreement dated December 21, 2007"). The expiry date of the reconveyance agreement dated December 21, 2007 was extended to June 30, 2011.

The conclusion of this agreement may result in an increase in assets of approximately $1,359 million, or $679.5 million as capital assets and $679.5 million as receivables to be used to repay long-term debt and increase liabilities of $679.5 million as long-term debt and net investment in capital assets for the same amount.

19- COMMITMENTS AND CONTINGENCIES (continued)

c) Metered parking

In 1995, the City assigned a part of its exclusive metered parking operations (in lots and on the streets) to a private organization under an agreement ending December 31, 2024 and renewable for a minimum additional period of ten years. When the agreement expires, the City has agreed to purchase from this organization the capital assets used for metered parking at their fair market value. However, over the term of the agreement, the City benefits from a purchase option on the parking lots that equals the purchase price paid by the organization. As at December 31, 2010, the net book value of these assets, including the acquisition cost of the parking lots of $5.3 million, was $22.4 million. In addition, the City has endorsed a loan the balance of which is $18.7 million as at December 31, 2010.

d) E-Commerce Place

Under a management agreement related to the E-Commerce Place real estate project, the City has endorsed a loan up to a maximum of $67.5 million, the balance of which is $3 million as at December 31, 2010.

e) F1 Grand Prix of Canada

As part of an agreement entered into to guarantee that Montreal is added to the F1 Grand Prix of Canada schedule for 2010 to 2014 inclusively, the City has pledged to make an annual contribution of $15 million. In this respect, the annual contribution receivable by the City from its partners is $14 million.

f) Claims and insurance

Claims pending against the City amount to $681.7 million. In the opinion of the City's legal counsel, the settlement of these claims will not materially impact the City's financial position.

The municipal administration has not contracted any risk insurance. However, according to its Charter, the City must forecast, in its budget established for tax purposes, an amount of at least 1% of its expenditures to cover expenditures not forecasted in the budget, the settling of claims and payment of judgments.

g) Environment

The City, as an owner of contaminated land, may be required to perform certain acts to comply with the *Act to amend the Environment Quality Act* (2002, chapter 11). The City may have to characterize and, if necessary, rehabilitate a parcel of land after it has been used or when its use has been changed. The City is currently unable to determine the cost or method of financing of any measures.

20- COMMUNAUTÉ MÉTROPOLITAINE DE MONTRÉAL (CMM)

The City is part of the CMM, a regulatory, planning, coordinating, and funding body. Under the *Act respecting the Montréal Metropolitan Community* (R.S.Q C-37.01), the CMM exercises jurisdiction over such areas as economic development; arts and culture promotion; social housing; facilities, infrastructures, services and activities of metropolitan importance; public transit and the metropolitan arterial road network; waste management planning; air quality; and water purification. It also has jurisdiction under the *Act respecting land use planning and development* (chapter A-19.1) with respect to the metropolitan land use and development plan.

During the year, the City's financial contribution to the CMM totalled $29.7 million ($29.7 million in 2009). The CMM, for its part, paid the City $43.2 million ($42.3 million in 2009) with respect to the operating costs of certain metropolitan facilities assumed by the City and for the social housing program.

21- COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2010

TABLE 1 – CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY

	2010	
	Local responsibilities	
	Budget	Actual (2)
Revenues		
Taxes	2,585,197	2,580,680
Payments in lieu of taxes	211,675	244,633
Quota shares		
Transfers	194,315	199,655
Services rendered	330,043	323,183
Fee collection	114,881	162,385
Fines and penalties	95,639	97,671
Interest	57,060	65,047
Other revenues	50,671	64,406
	3,639,481	3,737,660
Operating expenditures		
General administration	677,427	613,513
Public security	693,230	693,924
Transportation	687,520	657,941
Environmental hygiene	450,359	430,177
Health and welfare	108,406	104,815
Urban planning and development	179,037	173,759
Recreation and culture	423,236	435,650
Financing expenses	274,837	256,083
	3,494,052	3,365,862
Surplus before financing and allocations	145,429	371,798
Financing		
Repayment of long-term debt (3)	(228,713)	(229,358)
Allocations		
Capital asset activities		(19,556)
Unrestricted operating surplus	3,671	
Restricted operating surplus	80,951	92,898
Financial reserves and reserved funds	3,891	(14,060)
Amount to be funded in the future	(6,360)	(43,577)
	82,153	15,705
Operating surplus (deficit) for tax purposes for the year	(1,131)	158,145

(1) Eliminations refer to transactions carried out between organizations included in the financial reporting entity as well as to interjurisdictional transactions.

(2) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by $47.6 million ($92.9 million in 2009) equal to the municipal administration's specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

(3) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2010

(in thousands of dollars)

2010						2009
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
10,740	3,041	(12,996)	(11,903)	2,582,941	2,571,818	2,422,084
	21,938			211,675	266,571	204,616
2,326,599	2,315,423	(1,965,151)	(1,954,958)	361,448	360,465	320,495
270,700	256,480			465,015	456,135	427,987
589,281	561,225	(61,591)	(60,600)	857,733	823,808	787,115
1,887	1,789			116,768	164,174	113,102
85,660	88,782			181,299	186,453	211,529
25,797	33,075			82,857	98,122	89,928
151,813	167,435	(35,638)	(36,600)	166,846	195,241	149,224
3,462,477	3,449,188	(2,075,376)	(2,064,061)	5,026,582	5,122,787	4,726,080
304,866	(63,031)	(279,390)	(278,890)	702,903	271,592	349,093
893,048	906,583	(679,034)	(679,321)	907,244	921,186	891,320
1,403,928	1,078,348	(760,601)	(771,827)	1,330,847	964,462	1,138,628
247,526	198,408	(269,300)	(260,289)	428,585	388,296	356,226
38,293	36,039	(11,895)	(9,801)	134,804	131,053	128,618
50,655	52,901	(30,016)	(28,951)	199,676	197,709	183,289
94,487	110,536	(75,340)	(76,099)	442,383	470,087	446,795
255,690	210,766			530,527	466,849	456,571
3,288,493	2,530,550	(2,105,576)	(2,105,178)	4,676,969	3,791,234	3,950,540
173,984	918,638	30,200	41,117	349,613	1,331,553	775,540
(183,463)	(193,185)			(412,176)	(422,543)	(408,851)
(27,805)	(26,075)			(27,805)	(45,631)	(34,508)
				3,671		
(35,840)	3,629			45,111	96,527	82,712
(9,107)	(53,691)			(5,216)	(67,751)	(78,841)
82,231	(607,409)	(30,200)	(41,117)	45,671	(692,103)	(322,420)
9,479	(683,546)	(30,200)	(41,117)	61,432	(708,958)	(353,057)
	41,907			(1,131)	200,052	13,632

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2010

TABLE 2 – CONSOLIDATED DEFICIT OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2010	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares		
Transfers	70,130	68,027
Other revenues		
Developers' contributions	6,286	14,387
Other		3,916
	76,416	86,330
Capital expenditures		
General administration	23,981	17,325
Public security		212
Transportation	160,629	94,448
Environmental hygiene	58,659	69,281
Health and welfare	3,000	750
Urban planning and development	18,012	47,331
Recreation and culture	114,038	119,388
	388,329	348,735
Deficit before financing and allocations	(311,913)	(262,405)
Financing		
Long-term financing of capital asset activities	298,712	475,028
Allocations		
Operating activities		19,556
Unrestricted operating surplus		
Restricted operating surplus	13,201	10,235
Financial reserves and reserved funds		4,383
	13,201	34,174
Surplus (deficit) of capital asset activities for tax purposes for the year		246,797

(1) Eliminations refer to transactions carried out between organizations included in the financial reporting entity.

(2) The revenues include transfers of $47.6 million ($92.9 million) equal to the municipal administration's specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2010

(in thousands of dollars)

2010						2009
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual (2)	Budget	Actual	Budget	Actual	Actual
	41,117		(41,117)			
773,147	442,505			843,277	510,532	470,603
	154			6,286	14,541	19,749
30,200	586	(30,200)			4,502	5,640
803,347	484,362	(30,200)	(41,117)	849,563	529,575	495,992
14,362	9,417			38,343	26,742	22,474
32,161	32,627			32,161	32,839	41,826
919,676	473,039			1,080,305	567,487	671,979
202,727	146,495			271,396	215,776	299,779
	1,653			3,000	2,403	3,282
7,823	7,763			25,835	55,094	82,916
47,486	39,726			161,524	159,114	165,206
1,224,235	710,720			1,612,564	1,059,455	1,287,462
(420,888)	(226,358)	(30,200)	(41,117)	(763,001)	(529,880)	(791,470)
386,571	189,772	30,200	38,112	715,483	702,912	578,133
27,805	26,075			27,805	45,631	34,508
						(69)
	457			13,201	10,692	8,226
6,512	52,440			6,512	56,823	30,929
34,317	78,972			47,518	113,146	73,594
	42,386		(3,005)		286,178	(139,743)

Notes and Tables to the Consolidated Financial Statements (continued)
As at December 31, 2010

TABLE 3 – CONSOLIDATED ACCUMULATED SURPLUS *(in thousands of dollars)*

	2010	2009 (Note 3)
Accumulated Surplus		
Unrestricted operating surplus (deficit)	98,229	(751)
Restricted operating surplus	227,610	217,650
Financial reserves and reserved funds	181,258	170,330
Deficit of capital asset activities	(182,564)	(468,742)
Amount to be funded in the future	(597,513)	(1,289,616)
Net investment in capital assets	5,804,587	5,699,983
	5,531,607	4,328,854
Breakdown of different items		
Restricted operating surplus		
Allocation to the following year	62,700	80,875
Restricted surplus - Boroughs	92,515	85,466
Restricted surplus - Specific projects	24,577	22,786
Restricted surplus - Other purposes	47,818	28,523
	227,610	217,650
Financial reserves and reserved funds		
Financial reserves		
Water management	139,385	119,640
Management of road network	14,092	22,297
	153,477	141,937
Reserved funds		
Parks and playing fields	10,085	8,771
Working capital	5,537	7,809
Balance of closed-loan by-laws	4,951	4,951
Parking areas	3,871	3,564
Other	3,337	3,298
	27,781	28,393
	181,258	170,330
Amount to be funded in the future		
Transitional measures as of January 1, 2000		
Employee benefits	(27,800)	(34,588)
Employee future benefits		
Pension plan	822,447	150,268
Other plans	(199,140)	(199,140)
	623,307	(48,872)
Long-term financing of operating activities	(1,193,020)	(1,206,156)
	(597,513)	(1,289,616)
Net investment in capital assets		
Assets		
Investments - Sinking Fund	1,411,743	1,391,311
Receivables amounts to be used to repay long-term debt	1,529,092	1,456,404
Capital assets	9,872,602	9,454,457
	12,813,437	12,302,172
Liabilities		
Deferred revenues - Unrealized net foreign exchange gains	(3,587)	(3,075)
Long-term debt	(8,446,178)	(8,009,399)
Debt in refinancing		(11,012)
Debt not affecting the net investment in capital assets	1,440,915	1,421,297
	(7,008,850)	(6,602,189)
	5,804,587	5,699,983

Notes and Tables to the Consolidated Financial Statements (continued)
As at December 31, 2010

TABLE 4 – CONSOLIDATED NET TOTAL LONG-TERM DEBT *(in thousands of dollars)*

	Note	2010	2009
Long-term debt	10	8,446,178	8,009,399
Add			
Long-term unfunded operating expenditures		63,175	73,347
Long-term unfunded capital expenditures		182,564	468,742
Other			
Purchase of land		10,751	8,417
Government receivables		45,320	72,514
Debt in refinancing			11,012
Deduct			
Receivables amount dedicated to repayment		1,769,119	1,732,505
Amount accumulated for repayment		1,411,743	1,391,311
Amount recoverable through user fees		300,267	286,907
Consolidated net long-term debt		5,266,859	5,232,708
Add			
Quota share in net total long-term debt - Montréal Metropolitain Community		16,896	13,571
Consolidated net total long-term debt		5,283,755	5,246,279

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Montréal en action

Municipal Administration Financial Reporting

2010

Breakdown by Responsibility
Water Management
Breakdown of Mixed Expenditures

Montréal en action

2010 Municipal Administration Financial Reporting

Breakdown by Responsibility

Financial Information of the Municipal Administration
Fiscal Year Ended December 31, 10

NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES BY RESPONSIBILITY

	2010	
	Local responsibilities	
	Budget	Actual (2)
Revenues		
Taxes	2,585,197	2,580,680
Payments in lieu of taxes	211,675	244,633
Quota shares		
Transfers	194,315	199,655
Services rendered	269,238	251,201
Fee collection	114,881	162,385
Fines and penalties	95,639	97,671
Interest	57,060	65,047
Other revenues	48,404	57,481
	3,576,409	3,658,753
Operating expenditures		
General administration	677,427	613,513
Public security	693,230	693,924
Transportation	687,520	648,687
Environmental hygiene	450,359	430,177
Health and welfare	64,777	62,420
Urban planning and development	171,129	165,579
Recreation and culture	422,731	435,215
Financing expenses	267,943	252,828
	3,435,116	3,302,343
Surplus before financing and allocations	141,293	356,410
Financing		
Repayment of long-term debt (3)	(219,775)	(219,574)
Allocations		
Capital asset activities		(18,830)
Restricted operating surplus	80,951	92,898
Financial reserves and reserved funds	3,891	(14,060)
Amount to be funded in the future	(6,360)	(43,577)
	78,482	16,431
Operating surplus (deficit) for tax purposes for the year		153,267

(1) The eliminations refer to interjurisdictional transactions.

(2) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by $47.6 million ($92.9 million) equal to the municipal administration's specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

(3) Repayment of long-term debt represents loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.

(in thousands of dollars)

2010						2009
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
10,740	3,041			2,595,937	2,583,721	2,433,252
	21,938			211,675	266,571	204,616
1,967,199	1,956,023	(1,605,751)	(1,595,558)	361,448	360,465	320,495
143,241	143,244			337,556	342,899	333,227
72,322	68,444	(40,887)	(43,636)	300,673	276,009	267,473
1,887	1,789			116,768	164,174	113,102
85,660	88,782			181,299	186,453	211,529
25,797	24,838			82,857	89,885	82,837
23,897	24,432			72,301	81,913	64,533
2,330,743	2,332,531	(1,646,638)	(1,639,194)	4,260,514	4,352,090	4,031,064
304,866	(63,031)	(272,749)	(273,708)	709,544	276,774	354,892
893,048	906,583	(679,034)	(679,321)	907,244	921,186	891,320
444,650	456,940	(351,098)	(351,305)	781,072	754,322	727,606
247,526	198,408	(268,838)	(259,923)	429,047	368,662	356,588
38,293	36,039	(3,074)	(3,074)	99,996	95,385	94,022
50,655	52,901	(20,143)	(20,150)	201,641	198,330	185,355
67,044	72,772	(51,702)	(51,713)	438,073	456,274	443,587
150,821	145,415			418,764	398,243	390,445
2,196,903	1,806,027	(1,646,638)	(1,639,194)	3,985,381	3,469,176	3,443,815
133,840	526,504			275,133	882,914	587,249
(132,345)	(138,751)			(352,120)	(358,325)	(348,478)
(22,776)	(8,376)			(22,776)	(27,206)	(23,851)
(36,000)	3,629			44,951	96,527	78,856
	(55,217)			3,891	(69,277)	(77,464)
57,281	(288,991)			50,921	(332,568)	(216,843)
(1,495)	(348,955)			76,987	(332,524)	(239,302)
	38,798				192,065	(531)

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2010

NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2010	
	Local responsibilities	
	Budget	Actual
Revenues		
Transfers	70,130	68,027
Other revenues		
Developers' contributions	6,286	14,387
Other		3,916
	76,416	86,330
Acquisition of capital assets		
General administration	23,981	17,325
Public security		212
Transportation	160,629	94,448
Environmental hygiene	68,669	69,281
Health and welfare		24
Urban planning and development	18,012	47,331
Recreation and culture	114,038	119,388
	385,329	348,009
Deficit before financing and allocations	(308,913)	(261,679)
Financing		
Long-term financing of capital asset activities	295,712	475,028
Allocations		
Operating activities		18,830
Unrestricted operating surplus		
Restricted operating surplus	13,201	10,235
Financial reserves and reserved funds		4,383
	13,201	33,448
Surplus (deficit) of capital asset activities for tax purposes for the year		246,797

(1) The revenues include transfers of $47.6 million ($92.9 million) equal to the municipal administration's specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2010

(in thousands of dollars)

2010				2009
Urban agglomeration responsibilities		Total		Total
Budget	Actual (1)	Budget	Actual	Actual
140,930	106,280	211,060	174,307	248,729
	154	6,286	14,541	19,749
	586		4,502	5,640
140,930	107,020	217,346	193,350	274,118
14,362	9,417	38,343	26,742	22,474
32,161	32,627	32,161	32,839	41,826
84,588	37,623	245,217	132,071	304,116
202,727	146,495	271,396	215,776	299,779
	1,653		1,677	1,591
7,823	7,763	25,835	55,094	82,650
47,486	39,569	161,524	158,957	165,053
389,147	275,147	774,476	623,156	917,489
(248,217)	(168,127)	(557,130)	(429,806)	(643,371)
218,929	124,005	514,641	599,033	428,870
22,776	8,376	22,776	27,206	23,851
				(69)
	457	13,201	10,692	8,226
6,512	52,440	6,512	56,823	30,929
29,288	61,273	42,489	94,721	62,937
	17,151		263,948	(151,564)

Financial Information of the Municipal Administration (continued)
As at December 31, 2010

NON-CONSOLIDATED ACCUMULATED SURPLUS BY RESPONSIBILITY

	2010		
	Local responsibilities	Urban agglomeration responsibilities	Total
Accumulated surplus			
Unrestricted operating surplus (deficit)	118,265	(20,036)	**98,230**
Restricted operating surplus	193,336	6,487	**199,823**
Financial reserves and reserved funds	59,815	118,055	**177,870**
Deficit of capital asset activities	(99,368)	(80,171)	**(179,539)**
Amount to be funded in the future	(1,464,584)	544,673	**(919,911)**
Net investment in capital assets			**4,077,331**
			3,453,803
Breakdown of different items			
Allocated operating surplus			
Allocation to the following year	62,700		**62,700**
Restricted surplus - Boroughs	92,515		**92,515**
Restricted surplus - Special projects	20,809	3,768	**24,577**
Restricted surplus - Other purposes	17,312	2,719	**20,031**
	193,336	6,487	**199,823**
Financial reserves and reserved funds			
Financial reserves			
Water management	35,422	103,963	**139,385**
Management of road network		14,092	**14,092**
	35,422	118,055	**153,477**
Reserved funds			
Parks and playing fields	10,085		**10,085**
Working capital	2,272		**2,272**
Balance of closed-loan by-laws	4,828		**4,828**
Parking areas	3,871		**3,871**
Other	3,337		**3,337**
	24,393		**24,393**
	59,815	118,055	**177,870**
Amount to be funded in the future			
Transitional measures of January 1, 2000			
Employee benefits		(20,747)	**(20,747)**
Employee future benefits			
Pension plan	(204,857)	623,624	**418,767**
Other plans	(96,320)	(9,914)	**(106,234)**
	(301,177)	613,710	**312,533**
Long-term financing of operating activities	(1,163,407)	(48,290)	**(1,211,697)**
	(1,464,584)	544,673	**(919,911)**

Financial Information of the Municipal Administration (continued)
As at December 31, 2010

(in thousands of dollars)

	2009		
	Local responsibilities	Urban agglomeration responsibilities	Total
			(Note 3)
Accumulated surplus			
Unrestricted operating surplus (deficit)	61,779	(59,402)	2,377
Restricted operating surplus	199,688	11,142	210,830
Financial reserves and reserved funds	50,138	115,278	165,416
Deficit of capital asset activities	(346,165)	(97,322)	(443,487)
Amount to be funded in the future	(1,508,161)	255,682	(1,252,479)
Net investment in capital assets			4,174,688
			2,857,345
Breakdown of different items			
Allocated operating surplus			
Allocation to the following year	80,875		80,875
Restricted surplus - Boroughs	85,466		85,466
Restricted surplus - Specific projects	14,341	8,446	22,786
Restricted surplus - Other purposes	19,007	2,696	21,703
	199,688	11,142	210,830
Financial reserves and reserved funds			
Financial reserves			
Water management	22,857	96,783	119,640
Management of road network	3,802	18,495	22,297
	26,659	115,278	141,937
Reserved funds			
Parks and playing fields	8,771		8,771
Working capital	3,018		3,018
Balance of closed-loan by-laws	4,828		4,828
Parking areas	3,564		3,564
Other	3,298		3,298
	23,479		23,479
	50,138	115,278	165,416
Amount to be funded in the future			
Transitional measures of January 1, 2000			
Employee benefits		(23,732)	(23,732)
Employee future benefits			
Pension plan	(236,516)	296,482	59,966
Other plans	(96,320)	(9,914)	(106,234)
	(332,836)	286,568	(46,268)
Long-term financing of operating activities	(1,175,325)	(7,154)	(1,182,479)
	(1,508,161)	255,682	(1,252,479)

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2010

NON-CONSOLIDATED BY-ITEM AMOUNTS FOR TAX PURPOSES BY RESPONSIBILITY

	2010	
	Local responsibilities	
	Budget	Actual
Remuneration		
Elected officials	9,478	8,737
Employees	662,716	680,791
Employer contributions		
Elected officials	3,238	3,621
Employees	280,146	270,982
Transportation and communication	25,254	28,609
Professionnal, technical and other services		
Professional fees	32,769	22,816
Purchase of technical services	203,368	155,157
Other	2,181	1,859
Leasing, maintenance and repairs		
Leasing	84,980	76,034
Maintenance and repairs	48,782	37,364
Durable goods		
Construction		13,359
Other durable goods	17,211	6,010
Non-durable goods		
Delivery of public services	51,693	48,076
Other non-durable goods	97,818	88,970
Financing expenses		
Interest and other charges on long-term debt borne by:		
The municipality	191,424	200,165
Government of Québec and its enterprises	22,223	22,969
Other third parties	52,984	27,093
Other financing expenses	1,312	2,701
Contributions to organizations		
Municipal organizations		
Quota shares - Agglomération de Montréal	1,605,752	1,595,558
Société de transport de Montréal		
Montréal Metropolitan Community	25,531	25,282
Reconstituted municipalities		
Other	6,195	4,397
Government organizations		
Agence métropolitaine de transport		
Other		
Other organizations	58,917	68,790
Other items		
Doubtful account or bad debts	3,107	10,647
Other	(51,963)	(97,544)
	3,435,116	3,302,343

(1) Eliminations refer to interjurisdictional transactions.

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2010

(in thousands of dollars)

2010						2009
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
				9,478	8,737	9,200
750,679	766,889			1,413,395	1,447,680	1,380,703
				3,238	3,621	3,062
291,846	(78,369)			571,992	192,613	299,609
14,833	16,769			40,087	45,378	45,074
18,490	20,067		(180)	51,259	42,703	51,681
100,750	77,013	(730)	(3,189)	303,388	228,981	235,784
741	806			2,922	2,665	2,841
37,954	34,750	(32,315)	(32,217)	90,619	78,567	77,269
37,873	28,025	(7,812)	(7,807)	78,843	57,582	58,673
	6,329				19,688	9,026
6,606	243	(29)	(243)	23,788	6,010	15,537
35,881	31,310			87,574	79,386	81,808
47,274	37,378			145,092	126,348	130,085
91,904	88,899			283,328	289,064	277,789
58,812	55,217			81,035	78,086	83,370
				52,984	27,093	26,996
105	1,299			1,417	4,000	2,290
		(1,605,752)	(1,595,558)			
359,400	400,517			359,400	400,517	359,425
4,469	4,425			30,000	29,707	29,661
1,865	508			1,865	508	1,565
51,284	21,334			57,479	25,731	22,865
44,101	42,611			44,101	42,611	40,613
9,585	9,932			9,585	9,932	9,380
29,625	34,192			88,542	102,982	100,897
3,531	13,399			6,638	24,046	43,839
199,295	192,484			147,332	94,940	44,773
2,196,903	1,806,027	(1,646,638)	(1,639,194)	3,985,381	3,469,176	3,443,815

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Water Management

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2010

NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

	2010	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares – Water service		
Quota shares – Drinking water supply		
Quota shares – Water financial reserve		
Quota shares – TECQ Investment Financing		
Wastewater fees and the sale of Charlemagne drinking water		
Contribution to improve water service	110,909	**113,114**
Flat rate and meter fees	25,185	**22,110**
Other revenues from local sources	1,789	**1,788**
Transfers		**(65)**
User fees - Drinking water - Reconstituted municipalities	177,140	**177,140**
	315,023	**314,087**
Expenditures		
Quota shares for financing urban agglomeration activities	201,294	**191,101**
Expenditures	72,011	**64,588**
	273,305	**255,689**
Surplus before financing and allocations	41,718	**58,398**
Financing		
Repayment of long-term debt (1)	41,718	**45,934**
Allocations		
Capital asset financial activities		**(29)**
Restricted surplus		
Financial reserves - Water management		
		(29)
Operating surplus (deficit) for tax purposes for the year		**12,435**

(1) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties. For the purpose of this table, the repayment of long-term debt includes financing expenses.

(2) Interjurisdictional transactions have been eliminated.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2010

(in thousands of dollars)

2010						2009
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
117,343	117,343	(95,297)	(95,297)	22,046	22,046	20,859
49,244	38,068	(45,088)	(34,895)	4,156	3,173	4,378
75,000	75,000	(60,909)	(60,909)	14,091	14,091	15,059
780	780			780	780	
5,159	4,827			5,159	4,827	5,335
				110,909	113,114	114,479
				25,185	22,110	25,790
533	757			2,322	2,545	1,862
					(65)	309
				177,140	177,140	172,597
248,059	236,775	(201,294)	(191,101)	361,788	359,761	360,668
		(201,294)	(191,101)			
175,551	139,947		(12)	247,562	204,523	207,154
175,551	139,947	(201,294)	(191,113)	247,562	204,523	207,154
72,508	96,828		12	114,226	155,238	153,514
49,731	40,475			91,449	86,409	84,714
	(2,027)				(2,056)	(4,761)
	3,105				3,105	346
(22,777)	(22,777)			(22,777)	(22,777)	
(22,777)	(21,699)			(22,777)	(21,728)	(4,415)
	34,654		12		47,101	64,385

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2010

NON-CONSOLIDATED SURPLUS (DEFICIT) OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

	2010	
	Local responsibilities	
	Budget	Actual
Revenues		
Transfers	30,782	44,203
Other revenues		
	30,782	44,203
Acquisition of capital assets		
Drinking water production		
Wastewater treatment		
Water and wastewater - Secondary infrastructure	43,434	45,925
Buildings		
	43,434	45,925
Deficit before financing and allocations	(12,652)	(1,722)
Financing		
Long-term financing of capital asset activities	12,652	31,384
Allocations		
Operating activities		29
Restricted operating surplus		
Financial reserves - Water management		126
		155
Surplus (deficit) of capital asset activities for tax purposes for the year		29,817

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2010

(in thousands of dollars)

2010				2009
Urban agglomeration responsibilities		Total		Total
Budget	Actual	Budget	Actual	Actual
89,676	68,558	120,458	112,761	168,072
	129		129	540
89,676	68,687	120,458	112,890	168,612
143,047	100,364	143,047	100,364	109,399
14,440	19,529	14,440	19,529	15,868
12,425	9,944	55,859	55,869	133,690
2,977	818	2,977	818	6,492
172,889	130,655	216,323	176,580	265,449
(83,213)	(61,968)	(95,865)	(63,690)	(96,837)
53,925	1,855	66,577	33,239	3,407
	2,027		2,056	4,762
	480		480	(69)
29,288	51,129	29,288	51,255	25,563
29,288	53,636	29,288	53,791	30,256
	(6,477)		23,340	(63,174)

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Montréal en action

2010 Municipal Administration Financial Reporting

Breakdown of Mixed Expenditures

Montréal

Bureau du vérificateur général
1550, rue Metcalfe
Bureau 1201
Montréal (Québec) H3A 3P1

REPORT OF THE GENERAL AUDITOR OF MONTRÉAL

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of Ville de Montréal,
the Members of the Montréal Agglomeration Council

I have audited the Table of Breakdown of Mixed Expenditures of Ville de Montréal between local and agglomeration responsibilities for the year ended December 31, 2010. This breakdown has been determined by management based on by-laws RCG06-054 and RCG06-054-1 adopted by the Agglomeration Council respectively on December 13, 2006 and December 18, 2008 (hereinafter "the regulatory requirements").

Management's Responsibility for the Breakdown of Mixed Expenditures

Management is responsible for the preparation of the Table of Breakdown of Mixed Expenditures in accordance with the regulatory requirements and for such internal control as management determines is necessary to enable the preparation of a table of breakdown of mixed expenditures that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the Table of Breakdown of Mixed Expenditures based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Table of Breakdown of Mixed Expenditures is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the preparation of the Table of Breakdown of Mixed Expenditures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Table of Breakdown of Mixed Expenditures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Table of Breakdown of Mixed Expenditures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the table.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the Table of Breakdown of Mixed Expenditures of Ville de Montréal between local and agglomeration responsibilities for the year ended December 31, 2010 was prepared, in all material respects, in accordance with the regulatory requirements.

General Auditor of Montréal,

Jacques Bergeron, CA auditor

Montréal, March 29, 2011

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2010

TABLE OF BREAKDOWN OF MIXED EXPENDITURES BY RESPONSIBILITY

	2010	
	Local responsibilities	
	Budget	Actual
Expenditures		
General administration	125 409	100 379
Public security		23
Transportation	5 941	5 594
Environmental hygiene	4 297	3 295
Health and welfare	1 724	2 143
Urban planning and development	36 245	37 834
Recreation and culture	5 390	5 878
Total expenditures	179 006	155 146

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2010

(in thousands of dollars)

2010						2009
Urban agglomeration responsibilities		Eliminations		Total		
Budget	Actual	Budget	Actual	Budget	Actual	Actual
105 022	100 045	(2 456)	(2 461)	227 975	197 963	197 433
					23	271
1 203	1 396		(12)	7 144	6 978	5 032
4 383	3 589			8 680	6 884	9 785
2 377	2 436			4 101	4 579	5 850
10 288	8 852		(3)	46 533	46 683	42 438
4 573	4 842			9 963	10 720	11 787
127 846	121 160	(2 456)	(2 476)	304 396	273 830	272 596

Municipal Administration – Breakdown of Mixed Expenditures – Supplementary Notes
December 31, 2010

1- MIXED EXPENDITURES

An Act respecting the exercise of certain municipal powers in certain urban agglomerations (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005) and the orders that amended it thereafter, lists and defines the urban agglomeration responsibilities. Under this Act, expenditures incurred by the Ville de Montréal in carrying out by the municipal administration an act that falls within the exercise of an agglomeration power and, at the same time, another power, are considered mixed expenditures; these mixed expenditures are subject to a by-law of the Urban Agglomeration Council that sets out criteria for establishing which portion of the mixed expenditure is an expenditure related to the exercise of an agglomeration power.

The term "municipal administration" refers to Ville de Montréal excluding the organizations under its control.

2- BREAKDOWN OF MIXED EXPENDITURES

The mixed expenditures of the municipal administration are broken down between local and agglomeration powers in accordance with the criteria and calculation method defined in by-laws RCG06-054 and RCG 06-054-1, adopted by the Urban Agglomeration Council on December 13, 2006 and December 18, 2008, respectively.

Therefore, the portion of a mixed expenditure related to transportation, environmental hygiene, health and welfare, urban planning and development, as well as recreation and culture, which constitutes an expenditure incurred in exercising agglomeration powers, is determined using factual quantitative data or a quantitative measure of the human or financial resources allocated to the expenditure.

Also, the portion of a mixed expenditure that is a general administrative expenditure incurred by one or more support units in the exercise of agglomeration powers is determined using an administrative expenditure rate applied to the agglomeration expenditures, excluding debt service expenditures, contribution expenditures and contingency expenditures. The administrative expenditure rate is calculated annually on the basis of criteria set out in the above-mentioned by-laws. The rate applicable in 2010 was 6.9%.

The actual mixed expenditures are distributed based on the rates used to develop the City's 2010 Budget.

3- SIGNIFICANT ACCOUNTING POLICIES

The Breakdown of Mixed Expenditures Table for the municipal administration is prepared in accordance with Canadian public sector accounting standards using the same accounting policies as those described in Note 2 to the consolidated financial statements of Ville de Montréal for the year ended December 31, 2010.

By their very nature, the mixed expenditures for the municipal administration do not include any tax reconciliation items.

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Direction de la comptabilité et du contrôle financier

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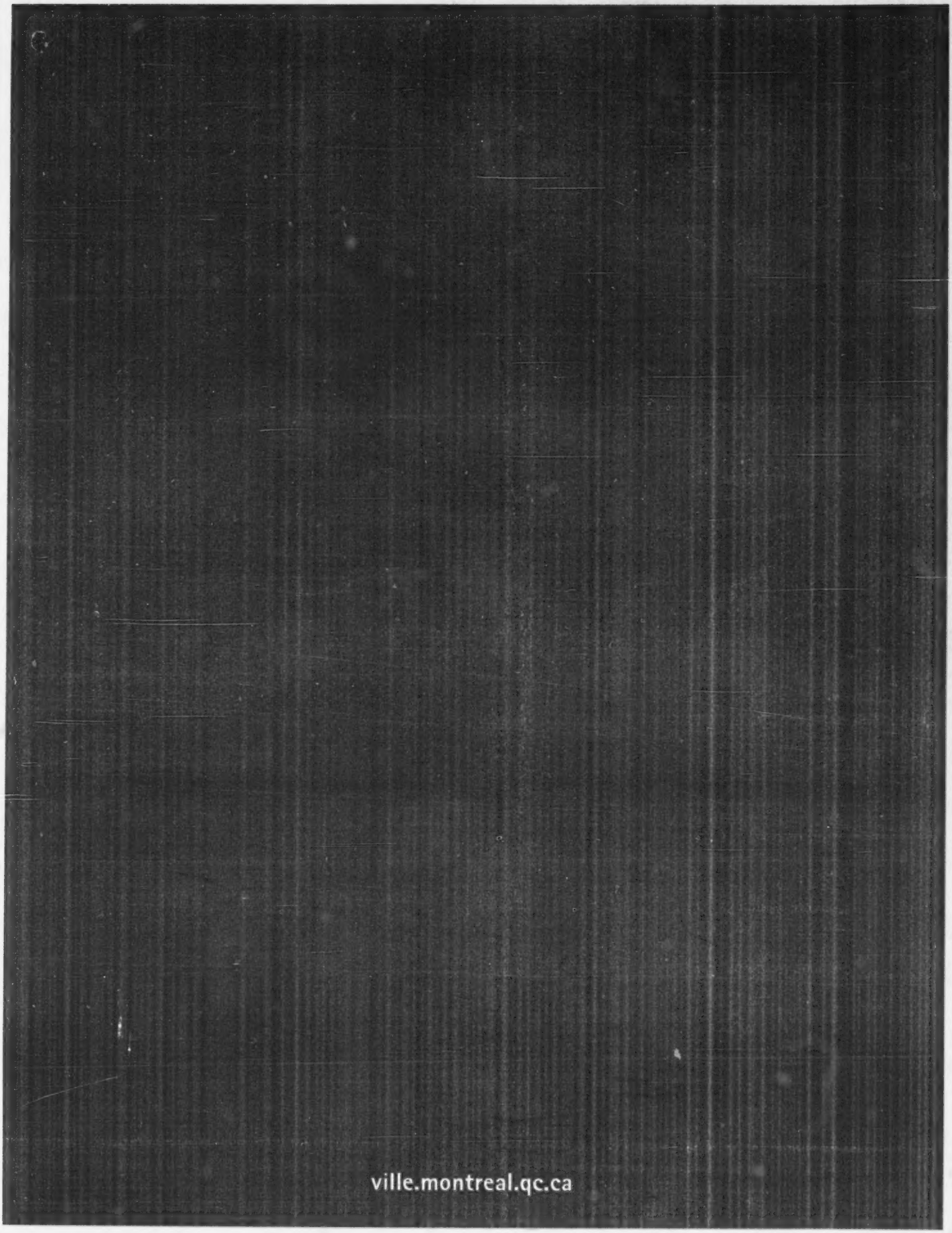
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